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ABSTRACT

Drawing on the major implications for the future of child care across the country due to recent welfare reform, this report examines the many options that policymakers may consider and presents recommendations for policy choices that address both workforce development and child development issues. Key child care issues related to implementing the new Temporary Assistance for Needy Families (TANF) Block Grant and the new Child Care and Development Block Grant (CCDBG) now facing states and children's advocates are identified. Part one of the report discusses key issues of funding for child care and strategies for increasing funding. Part two describes the child care related decisions connected to the TANF Block Grant. Part three discusses strategies for ensuring that advocates have a voice in the CCDBG state plans and issues that are likely to be addressed in the plan, ranging from subsidy policies to investing in improving the quality and building the supply of child care. In addition to the checklist of key steps, the appendices include a summary of the child care provisions in the CCDBG and TANF, as well as state specific information that will be helpful in the implementation of the new CCDBG and the child care related provisions of TANF. (SD)

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HELPING PARENTS WORK AND CHILDREN SUCCEED: A GUIDE TO CHILD CARE AND THE 1996 WELFARE ACT

By Helen Blank

January 1997

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CDF is a unique organization. CDF focuses on programs and policies that affect large numbers of children, rather than on helping families on a case-by-case basis. Our staff includes specialists in health, education, child welfare, mental health, child development, adolescent pregnancy prevention, family income, and youth employment. CDF gathers data and disseminates information on key issues affecting children. We monitor the development and implementation of federal and state policies. We provide information, technical assistance, and support to a network of state and local child advocates, service providers, and public and private sector officials and leaders. We pursue an annual legislative agenda in the U.S. Congress and in states where we have offices. CDF educates hundreds of thousands of citizens annually about children's needs and responsible options for meeting those needs.

CDF is a national organization with roots in communities across America. Although our main office is in Washington, D.C., we reach out to towns and cities across the country to monitor the effects of changes in national and state policies and to help people and organizations concerned with what happens to children. CDF maintains state offices in Minnesota and Ohio, and local project offices in Marlboro County (South Carolina), Greater Cincinnati, and New York City. CDF has developed cooperative projects with groups in many states.

The Black Community Crusade for Children (BCCC), developed by Black leaders and coordinated by CDF, is an initiative to mobilize the African American community behind a targeted effort to address the special problems facing Black children. The BCCC is part of CDF's overall work to ensure that *no* child is left behind and that *all* American children have a Healthy Start, a Head Start, a Fair Start, a Safe Start, and a Moral Start in life.

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Helping Parents Work and Children Succeed: A Guide to Child Care and the 1996 Welfare Act

By Helen Blank

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Table Of Contents

Introduction

The Challenge Ahead 1
Workforce Development Depends on Stable Child Care 1
Reducing Welfare Dependency in the Long-Term Depends on Preparing Children to Succeed 2
Child Care-Related Provisions of the New Welfare Act 3
Strategies for Advocates 5
About This Report 7

Part 1

Increasing Funding for Child Care 9
Allocate New State Matching Funds to Maximize New Federal Mandatory Funds 10
Maintain State and Local Investments in Child Care 11
The Importance of Baseline Data 11
Take Advantage of Reallocated Funds 12
Seek Private Sector Support and Funds for Child Care 12
Lay the Groundwork for Future Investments in Child Care 13

Part 2

TANF Decisions That Could Have a Major Impact on Child Care 15
Use TANF Funds for Child Care 15
Transfer TANF Funds to the Child Care and Development Block Grant 16
Do Not Use Funds From TANF for Child Care Without Transferring Them to CCDBG 16
Encourage TANF Options That Reduce the Demand for Child Care 17
Determine Actual Work Requirements 17
Maintain Waivers With More Manageable Work Requirements 17
Reduce the Number of Parents Subject to Work Requirements 18
Reduce the Number of Hours Parents with Young Children Must Work 18

Opt Out of Community Service Requirement 18
Provide Pre-Assistance Diversion Programs 18
Be Flexible in Defining Work Activities 18
Do Not Cut Back on the Five-Year Time Limit for TANF Benefits 19
Strengthen the Child Support System to Provide Families with Additional Financial Support 19

Defining Appropriate, Affordable Child Care 19
Affordable Child Care 20
Appropriate Child Care 20
Reasonable Distance 20
Caseworkers Should Help Families Understand Their Options 20
States Should Act Affirmatively to Develop Good Child Care Options 20

Be Cautious About Requiring TANF Parents to Become Family Child Care Providers 21
Becoming a Family Child Care Provider May Not Help Mothers Become Economically Independent 21
Only Individuals Truly Interested in Becoming Providers Should Be Encouraged To Do So 22
New Family Child Care Providers Need Start-Up Assistance 22
New Providers Need Training and Support 22

Part 3

Key Policy Decisions Related to the CCDBG 23

Plan for the New CCDBG 24
Establish an Advisory Group 25
Make the Best Use of Public Hearings 25
Consider the State Legislature's Role in the CCDBG Plan 26

Set Broad Eligibility for Child Care Assistance 26
Consider a Child Care Entitlement or Guarantee for All Low-Income Families 27
Ensure That Child Care Help is Available for Low-Income Working Families and Families Receiving TANF 28
Protect Child Care Assistance for School-Age Children 29

Protect Parents Participating in Education and Training 31
Protect Child Care Assistance for Children Needing Protective Services or Foster Care 31
Protect Child Care Assistance for Legal Immigrants 32

Sliding Fee Scales Should Ensure That Child Care is Affordable 32
Protect Very Poor Families From High Co-Payments 33
Consider the Impact of Other Service Cutbacks 33
Avoid Basing Co-Payments on the Cost of Care 33
Do Not Severely Penalize Families Whose Earnings Increase 34
Evaluate Policies That Allow Providers to Charge Additional Fees 34
Evaluate Fee Policies for Families with More Than One Child 34
Do Not Increase Fees Too Quickly 34

Payment Systems Should Ensure Choice, Quality, and Stability 35
Use a Mix of Guaranteed Contracts and Certificates 35
Pay Providers Rather Than Parents 36
Continue to Contract for Early Childhood and School-Age Activities 37
Avoid Using the Child Care Disregard 37

Reimbursement Rates Should Allow Parental Choice 38
Maintain Rates at the 75th Percentile of the Market Rate 39
Maintain Separate Rates for Different Types of Care 39
Allow Differential Rates for High Quality Care 40
Consider the Impact of Paying Lower Rates for Unregulated Care 40
Evaluate Policies Regarding Reimbursement for Part-Time Care 40
Evaluate Reimbursement Policies for Absent Days 40

Take Steps To Improve the Quality and Expand the Supply of Child Care 41
Maximize Funds to Improve the Quality and Build the Supply of Child Care 41
Expand the Supply of Child Care 42
Improve the Quality of Child Care 45

Do Not Limit Families to Informal Child Care Options 47
Why Informal Care is An Important Option 48
What is Known About Exempt Care 48

Parents Need a Range of Child Care Options 48
Avoid Policies That Steer Families Into Exempt Care 50
Set Minimum Health and Safety Standards for Informal Providers 51
Provide Support to Informal Providers 52

Appendices

Appendix A: Checklist for Advocates 55

Appendix B: New Child Care and Development Block Grant Provisions Included in P.L. 104-193, The Personal Responsibility and Work Opportunity Act of 1996 59

Appendix C: State-By-State Data on the Age of Children Receving AFDC 68

Appendix D: State Allocations of New CCDBG Funds 71

Appendix E: Estimated Required Work Participation Rates: Implications of Substracting a State's Decline in Caseload 72

Appendix F: FY 1996 Federal IV-A Funds Received by the State and FY 1997 Allocations for New Federal Mandatory and Matching Funds 78

Appendix G: Estimated State Allocations for Quality and Supply Based on a Minimum of 4 Percent of Total Child Care Spending 80

Appendix H: FY 1997 Discretionary Allocations Specifically for Resource and Referral Activities and School-Age Child Care Services 82

Source Notes 85

Introduction:

The Challenge Ahead

The recently signed welfare Act[1] (hereafter referred to as the "Act") has major implications for the future of child care across the country. The newly created Temporary Assistance for Needy Families Block Grant (TANF)—which replaces the former welfare program Aid to Families with Dependent Children (AFDC)—imposes stiff new work requirements for families receiving TANF benefits and a five-year lifetime limit on TANF assistance for most participants. Several states are implementing welfare reform plans with even stricter work requirements and time limitations. These changes will greatly increase the need for child care assistance to help low-income families enter and remain in the workforce.

While the Act includes a modest increase in child care funds, it by no means provides the funds that are necessary to meet the new demand for child care assistance for families who must meet its work requirements. At the same time, millions of low-income working families are struggling to pay for child care out of their tight budgets and are unable to get any assistance. The Act does nothing to increase child care help for these families. National policy now requires low-income women to work without the safety net of welfare or cash assistance. Yet there is no corresponding commitment to ensuring that families in low-wage jobs have access to child care that will keep their children safe and secure while they work.

As a result of this severe lack of child care resources, states are already debating proposals that would compromise the quality of care that children are offered and limit the number of families eligible for child care assistance. Too many policy makers are making plans that treat workforce development and child development as competing goals. They assume that states must stretch existing dollars over as many children as possible, *without regard to the quality of care*, to meet the new work requirements.

In this report we will examine the many options that policymakers may consider and present recommendations for policy choices that address *both* workforce development *and* child development. Advocates must help state policy makers understand that workforce development and child development are *complementary* rather than competing goals, and that new investments in child care with a two-generational focus are necessary to further both.

Workforce Development Depends on Stable Child Care

Workforce development cannot succeed without giving families the child care options they need to find and keep a job. Many families leaving welfare, as well as those trying to stay off welfare, are likely to work in low-paying jobs that do not cover the cost of child care and other necessities such as rent, food, and clothing. Neither do many low-wage jobs provide a flexible or supportive situation for parents. If parents miss work because of inadequate or unstable child care, they often risk losing their jobs.

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1 P.L. 104-193--the Personal Responsibility and Work Opportunity Reconciliation Act of 1996

Furthermore, child care that satisfies parents is much less likely to interfere with parents' ability to work. Evaluations of GAIN, the job-training program for welfare recipients in California, found that mothers receiving AFDC payments who were worried about the safety of their children and did not trust their providers were twice as likely to subsequently drop out of the job-training program as mothers who were satisfied with their child care (Gilbert, 1992).

Child care is also critical to worker productivity. A lack of reliable child care can cause workers to lose time and reduce their productivity at work. For example, a 1990 study found that nearly one out of every six mothers employed outside the home reported losing some time from work during the previous month due to a failure in their regular child care arrangements (New York City Department of Business Services, 1991). Similar studies have found even higher rates for low-income mothers.

Advocates should also remind policy makers that good child care can help to strengthen a community's economic base by helping parents find and afford the child care that they need to stay employed and remain taxpayers. Child care programs can support the community's economy by providing jobs and purchasing the materials, supplies, and food from other local businesses.

Reducing Welfare Dependency in the Long-Term Depends on Preparing Children To Succeed

In the long run, workforce development requires that children be prepared to enter school ready to learn, so they can become productive members of the labor force. The children that are affected by current child care policy decisions are extremely vulnerable and need the extra boost provided by good child care. If parents are forced to place their children in child care situations that not only fail to prepare them for school, but also are potentially damaging to the children's development and jeopardize their safety, their children will be unable to take full advantage of their early school years and will be at greater risk of failure.

Research on child development indicates that during the first three years of life, children learn—or fail to learn—how to get along with others, how to resolve disputes peaceably, how to use language as a tool of learning and persuasion, and how to explore the world without fear. The importance of these early years is further underscored by research in brain development, which shows that inadequate care and stimulation in the first years of life can place children at greater risk of developing a variety of cognitive, behavioral, and physical difficulties (Carnegie Corporation, 1994). Yet a new study of children in the Atlanta area who live in families receiving welfare indicates that many low-income children are not getting what they need to build a strong foundation for learning and development.

- The study found that on average, the children between the ages of three and five were behind in the concepts and skills needed for school readiness. Studies of children living in poverty show similar results. The report's authors recommended that good child care be available for these children (Moore et al., 1996).
- Other studies have shown that low-income children are at greater risk of poor health and of developmental problems such as learning disabilities, need for special education, repeating grades, and lower test scores—all of which place children at greater risk of failure (Sherman, 1994).

Advocates need to keep reminding policy makers that every policy decision concerning early care and education should be examined in light of the goal to ensure that every young child enter school ready to succeed by the year 2000, a goal that the nation's governors and President Bush set in 1989. Policy decisions should also be made in light of the goal to ensure that low-income families have the support that they need to become and remain economically independent.

Child Care-Related Provisions of The New Welfare Act

The New Child Care and Development Block Grant

The Act eliminates the three federal child care programs previously referred to as the "Title IV-A" child care programs: AFDC child care (for families receiving welfare and participating in work or training activities), Transitional Child Care (TCC) (for families leaving welfare for employment), and At-Risk child care (for low-income families at risk of welfare dependency). It also eliminates the guarantee of an entitlement of child care assistance for mothers receiving welfare and for those making the transition off welfare. The funding for these programs are now folded into the new Child Care and Development Block Grant.[1] The new CCDBG also includes the funding for the old Child Care and Development Block Grant.

The new CCDBG has two funding components: a capped entitlement portion and a discretionary portion. The discretionary portion of the new CCDBG is authorized for $1 billion a year for each of the next seven years, which is slightly more than the prior funding level for the old CCDBG.) Congress must appropriate these funds annually.

The capped entitlement portion of the block grant has two parts—the mandatory funds or the base funding amount, and matching funds or those above the base that require a state match. State allocations for the base amount or the mandatory portion of the block grant are based on their FY 1994 or FY 1995 funds or the average of FY 1992-1994 (whichever is higher) for AFDC child care, Transitional Child Care, and the At-Risk Program. This source of funds will provide states with approximately $1.2 billion a year for child care over the next six years. The capped entitlement funds are automatically available to states each year.

1 The federal government is also calling this the Child Care and Development Fund

Continued...

Funds above the base funding amount or matching funds will be allocated according to the number of children under age 13 in each state. They are comprised of federal matching funds (the amount of federal funds above the base amount that states can receive), and state matching funds or the amount that states must expend or match to draw down the new federal matching dollars.

Four percent of total child care funds are set aside to improve the quality and expand the supply of child care. All child care providers receiving CCDBG funds, except certain relatives, must meet minimum health and safety standards. States must pay providers child care rates that are sufficient to ensure that all families receiving subsidies have equal access to child care.

The TANF Block Grant

The newly created Temporary Assistance for Needy Families Block Grant (TANF)—which replaces Aid to Families with Dependent Children (AFDC) or the welfare program—imposes stiff new work requirements for families receiving TANF benefits and a maximum five-year time limit on TANF benefits for most participants (though states may allow exceptions for up to 20 percent of their cases). States that do not meet these requirements face a financial penalty. These changes will cause child care demand to soar over time as millions of low-income families enter the workforce. By FY 2002, 50 percent of the TANF caseload must work 30 hours a week.

States have a number of options with regard to child care for mothers with younger children. They can choose to allow mothers with children under age six to work only 20 hours a week. In addition states are allowed to exempt mothers with children under age one from work requirements. However, these mothers may be excluded in calculating the participation rates only one time. States are also prohibited from withholding or reducing assistance to a single parent with a child or children under six who does not meet work requirements because they can not find appropriate, affordable child care within a reasonable distance from their home or work-site. Hours that parents spend providing child care for other welfare families can count as hours toward the fulfillment of work requirements.

[See Appendix for detailed summaries.]

Strategies for Advocates

Strong and creative advocacy will be essential to ensure that child care assistance is available to families struggling to become or remain independent of welfare, and that a child care system is in place to support good care for children and families. If states do not make the necessary investments to ensure that families can choose decent child care, millions more children could be forced to spend their developmental years in situations that are mediocre at best and unsafe at worst, and families will find it even more difficult to enter the work force.

The focus on child care during the welfare debate offers advocates the opportunity to build on the consensus that began to emerge about the importance of child care. Policy makers seemed to understand that child care assistance was essential if welfare mothers were going to enter the workforce. Advocates must now take a proactive stance and work to convince policy makers that child care assistance is equally important to help all low-income working parents, regardless of whether they have received welfare or cash assistance, to stay on the job and remain independent. Advocates must also build on the fact that the Act, by creating one single child care block grant, gives states the opportunity to create a strong child care program with a uniform set of policies for all families.

In addition, advocates must continue to argue that "just any child care" is not acceptable. Good child care ensures that children are safe and secure while their parents are at work *and* helps children enter school ready to learn. It also provides the opportunity for school-age children to engage in constructive activities that help them do better in school and keep out of trouble.

Advocates can help move the debate forward, and work to make sure that children and families are not harmed, by taking the following steps:

- ✓ **Be informed about the provisions of the Act, stay informed about proposed state child care changes that will be debated, and advocate for policies that will result in positive outcomes for children and families.** Many proposed changes will limit parents' choice of child care arrangements and negate efforts to improve child care. However, some states may propose some reasonable adjustments to current child care policies that may improve the system and produce savings that can be invested in helping more families with their child care costs or in bolstering the quality of care that children receive.
- ✓ **Be involved in planning efforts and actively seek opportunities to encourage state policymakers to adopt sensible child care policies.** In a number of states, there are gubernatorial task forces, cross-agency work groups, or task forces on child care within particular state departments. Find out what state groups already exist and ask to be included. If there are no such working groups, create one. Bring together outside advocacy groups, sort through the issues, and then invite the governor to the table.

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- ✓ **Contact the media to inform them about the link between child care and welfare reform.** Set up meetings with local editorial boards (if possible bring along a local elected official) to discuss the importance of good child care for making welfare reform successful. Write op-eds for your local papers on this issue. Seek out employers to sign on to or author these pieces.
- ✓ **Work closely with representatives of Head Start and prekindergarten programs.** Close collaboration will ensure that all resources to help children and families are used as effectively as possible.
- ✓ **Work with other groups and individuals who support children and families.** Families need comprehensive services to succeed and become independent. Therefore, in addition to Head Start and prekindergarten, child advocates should work with school and youth programs, employment specialists, health experts, family support programs, child support officials, child welfare experts, transportation officials, community collaboratives and others to ensure that comprehensive strategies to help families are put in place.
- ✓ **Work with a broad range of groups to enlarge the umbrella of citizen support for strong child care policies.** Include women's organizations, teachers, school administrators, senior citizens, and religious organizations, among others. *Do not neglect unlikely allies.* Police and law enforcement officials, for example, can help make the case for after-school care that keeps children safe and help prevent violence. Kindergarten teachers are likely to argue for the high quality child care experiences that prepare children to succeed in their classrooms.
- ✓ **Build bridges to businesses who employ low-wage workers and leverage private sector funds.** Child care subsidies help many low-wage employees be on time, be more productive, and stay in their jobs. Employers should be urged to support increased child care assistance for low-income working families. Many of these employers depend on the availability of child care subsidies to enable their employees to work. Point out the role that government child care assistance plays, and how it helps employers conduct business. Encourage them to donate resources to "Working Parents Assistance Trust Funds" in their community or state to improve the supply of child care and provide scholarships to low-income families and to support increased public investments in child care. (See page 12 for discussion of Florida's Child Care Partnership Act)
- ✓ **Make sure that policy makers understand that proposals affect not only poor families but also middle-income families' child care choices.** Legislators are concerned about the ability of all parents to work, and child care helps them do so. Remind policy makers that proposals that steer low-income families away from more formal child care arrangements may force centers serving middle and low-income children out of business. Explain the negative impact on all children's safety and all parents' peace of mind that comes from cutting back on the number of inspectors who monitor child care facilities, reducing child care licensing standards so children do not receive the attention they need to grow and thrive, or eliminating training requirements that ensure that caregivers have the skills to support and nurture children.
- ✓ **Talk about child care in ways ordinary citizens can understand**. Think carefully about how to make child care issues real for employers, legislators, and the media. Use examples of children who have been in unsafe child care situations; tell stories of the struggles of families that have lost their child care. Avoid using terms like "developmentally appropriate care," "quality care," and jargon that people do not understand.

- ✓ **Conduct studies that make child care issues real for policy makers**. For example, the Greater Minneapolis Day Care Association interviewed families on Minnesota's child care assistance waiting list and shared the families' child care experiences with the media, legislators, the business community, and others, as part of a campaign to increase state child care funds for low-income working families. (The study, *Valuing Families: The High Cost of Waiting for Child Care Sliding Fee Assistance*, is available from the Greater Minneapolis Day Care Association.)
- ✓ **Monitor the impact of changing welfare and child care policies.** In order to build the case for increased child care funding and policies that ensure that parents can choose high quality care, advocates must be able to understand and publicize the impact of new welfare and child care policies on families' ability to work and children's ability to succeed. Work with CDF and other organizations who are developing monitoring tools to help advocates track the impact of state child care decisions on children and families.
- ✓ **Consider all policy options in the context of your particular state.** Obviously, circumstances vary greatly among states. Some of the policy options discussed in this report may have a damaging effect on children, families, and child care providers in some states, but may not have negative results in others.
- ✓ **Inform families about the TANF provisions.** Families are going to be quite confused and frightened by the myriad of changes in welfare policies. Child care, Head Start, and prekindergarten programs as well as resource and referral agencies can help the parents that they work with understand the TANF provisions and how they relate to them.

About This Report

This paper identifies some of the key child care issues related to implementing the new TANF Block Grant and the new Child Care and Development Block Grant (CCDBG) now facing states and children's advocates. Even though some of the issues are still unclear, we will continue to work closely with advocates and states to provide guidance as the process unfolds. This report offers advocates information and strategies for addressing the new child care demands generated by the legislation. The pages that follow detail the legislation as it is currently understood, illustrating the many challenges facing states as they seek to implement new child care provisions. (See Appendix A for a checklist which provides a quick reference guide to key steps as states and advocates launch their implementation efforts.)

Part 1 of this report discusses key issues around funding for child care and strategies for increasing funding.

Part 2 describes the child care related decisions connected to the TANF Block Grant.

Part 3 discusses strategies for ensuring that advocates have a voice in the CCDBG State plans and issues that are likely to be addressed in the plan, ranging from subsidy policies to investing in improving the quality and building the supply of child care.

In addition to the checklist, the appendices include a summary of the child care provisions in the CCDBG and TANF as well as state specific information that will be helpful in the implementation of the new CCDBG and the child care related provisions of TANF.

16 BEST COPY AVAILABLE

Part I:

Increasing Funding for Child Care

The need for child care funds continues to be extraordinary. Currently, 38 states and the District of Columbia have long waiting lists of families who could benefit from child care assistance. The TANF work requirements and five-year lifetime limit will place even greater demands on the need for child care assistance.[2]

Although child care funding was increased in the Welfare Act, there is still not sufficient funding available to meet the new demand created by the steadily increasing work requirements for TANF recipients. The funds are insufficient to serve everyone who needs child care help, much less serve other low-income working families and ensure that children receive good child care.[3] In fact, the Act:

- Eliminates guaranteed child care funding for families receiving welfare and those transitioning off welfare. Previously, states would have been assured adequate funds to serve these families if they provided the necessary matching funds;
- Contains $1.4 billion less than what is needed over six years to provide child care for those families who must meet the Act's work requirements, according to the Congressional Budget Office. Even this estimate assumes that states will allocate all the funds necessary to draw down new federal child care dollars despite evidence that indicates many states will not allocate sufficient matching funds;[4]
- Penalizes states who spent more for child care in FY 1996 than in prior years, by basing the child care grant for each state on FY 1994 or FY 1995 expenditures;
- Cuts the Title XX Social Services Block Grant, which many states used to provide child care, by 15 percent. (The FY 1997 appropriations bill restores $120 million of the $420 million cut in Title XX, but only for one year.)
- Cuts the Child and Adult Care Food Program, a major form of support for family child care homes and child care centers, by $2.3 billion over six years.

As a consequence, children and families cannot afford to lose any federal child care dollars allocated to their state or to have any state or local dollars moved out of the child care system. States must provide the match necessary to draw down all federal funds available to them, maintain their current investments in early care and education, and appropriate additional state funds to ensure that poor working families do not lose assistance.

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2 See Appendix C for the number of children receiving AFDC by state.

3 In some states there will initially be adequate funding for child care but this will tighten as work participation rates increase.

4 In 1994, 20 states did not allocate enough state funds to draw down all federal funds available to them for child care assistance through the federal At-Risk Child Care Program. Tens of millions of federal dollars were left unspent due to inadequate commitment in these states, even though many families needed child care assistance.

Key Funding Issues

- ✓ Allocate the matching funds necessary to secure a state's full share of new mandatory child care funds.
- ✓ Maintain state and local investments in child care.
- ✓ Ensure state compliance with federal law on maintenance of effort.
- ✓ Take advantage of CCDBG funds not used by some states that are reallocated to other states.
- ✓ Ensure that Title XX funds are invested in child care.
- ✓ Seek private sector support and funds for child care.
- ✓ Lay the groundwork for future federal and state investments in child care.

Allocate New State Matching Funds to Maximize New Federal Mandatory Funds

States must provide a match to draw down the new federal matching or capped entitlement funds above their base allocation. States need to ensure that they either allocate new funds or use existing state funds to draw down the new match. State matching funds must be included in states' budgets that parallel the federal fiscal year 1997 so that federal child care funds are not forfeited.[5] Failure to invest sufficient state funds to draw down all of the new child care money means that a state forgoes a major source of help for meeting the child care needs of low-income working families and families receiving or moving off welfare.

Since the base year for child care funds is FY 1994, FY 1995, or the average of FY 1992-1994, whichever is greater, states may use any state dollars above this level towards the required match for FY 1997. These dollars do not fall under the maintenance of effort requirement. Therefore, states that spent more for child care in FY 1996 than in FY 1995 will be able to use these additional state dollars as a match. States that reduce their welfare rolls can also reinvest state dollars previously targeted for welfare as the match for child care. Advocates should monitor decisions by the federal government that will outline precisely which state investments can be counted towards the match requirements. At this stage, the match may include both public and donated private funds.[6]

Those states that have very little existing state money invested in child care will have to generate new funds to obtain the match. The ideal scenario would be that all states would allocate *new* state money for the required match, rather than using previously allocated state dollars to do so. This would mean that new state child care funds would be available to help meet the growing demand for child care assistance. If states are unable to generate new state funds to provide the required match, advocates should ensure that states claim the *existing* funds already devoted to child

5 See Appendix D for amount of state funds necessary to draw down match and total state child care allotments

6 Currently, donated funds cannot revert to the donor's facility or use and must be donated without any restrictions which would require their use for a specific individual, organization, facility, or institution. They *may* be designated for a specific geographic area.

prekindergarten for low-income children to cover the funds required to match the new mandatory funds.[7]

Maintain State and Local Investments in Child Care

In order to receive any new federal matching funds above their base allocation, states must maintain 100 percent of their FY 1994 or FY 1995 level (which ever is higher) of the non-federal spending the state had used previously to match federal Title IV-A child care funds. However, despite the growing need for child care, the Act still allows states to cut back some of their investments in child care or prekindergarten programs in three ways:

First, states could choose not to apply for any new capped entitlement/mandatory funds above their FY 1994 or FY 1995 base funding. If states do not claim any new funds, they face no maintenance of effort requirements. In fact, they could then conceivably eliminate all state funds currently invested in Title IV-A child care although this is unlikely.

Second, the Act eliminates the provision in the "old" Child Care and Development Block Grant that required states to use federal child care funds to *supplement*, not *replace* existing local, state, and federal child care funds already being spent on child care. Because the new maintenance of effort requirements apply only to prior funds spent to match Title IV-A child care funds, states could cut back on a range of investments in other child care programs, prekindergarten programs, or supplements to Head Start.

Third, the Act cuts the Title XX Social Services Block Grant (which many states use to fund child care) by 15 percent. States may take a portion of that 15 percent cut from funds spent for child care. States considering cutbacks in Title XX child care funds should be aware that for-profit centers can only legally receive Child and Adult Care Food Program (CACFP) funds if at least 25 percent of their children receive funding from the Title XX Block Grant (or a combination of Title XX and CCDBG funds). In order to help ensure that the many low-income children enrolled in for-profit centers continue to benefit from the nutritious meals and snacks provided through the CACFP, states must not cut Title XX child care funding.

The Importance of Baseline Data

Given the weakness of the new maintenance of effort requirements and the fact that there is no evidence that the federal government will effectively enforce the maintenance of effort requirements that do exist, much of the responsibility for ensuring that states maintain state spending for child care will rest with child care advocates. It is critical for advocates to know what states spent on child care before the new Welfare Act – not only for those programs counting toward the new maintenance of effort provisions, but all funds supporting child care. Given the tremendous need for child care services, states should not be cutting back on any child care programs.

Advocates should act quickly to gather baseline data on expenditures for all child care programs, including:

- state subsidized child care programs,
- preschool and early intervention programs,

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7. States can decide to define prekindergarten dollars as an allowable cost and then use them as a match. The Department of Health and Human Services is expected to publish regulations on the use of prekindergarten funds in the near future.

- state supplements to Head Start,
- Title XX (SSBG),
- expenditures for the child care disregard (although this may be difficult to obtain),
- child care expenditures under the IV-A Emergency Assistance Program,
- expenditures on quality and supply, and
- supportive services funds for child care used in public housing, job training, and economic development programs.

The baseline data on state expenditures used as match for federal Title IV-A funds (JOBS child care, Transitional Child Care, and At-Risk Child Care) in FY 1994 or FY 1995, whichever is higher, is available in Appendix D of this report. Advocates should identify reliable sources of budget information, such as state agency reports or key state child care and budget administrators, and legislators responsible for budget and appropriations who can help provide the other baseline data needed. Advocates may want to pay particular attention to gathering baseline data for those programs that have the greatest risk of being cut, such as the Title XX Social Services Block Grant.

Once these data are assembled, advocates can educate public officials and the media to ensure state compliance with the federal maintenance of effort requirements and ensure that states do not attempt to reduce other investments in child care. Publicizing these data and requirements in the news media can pressure state officials to use new federal funds to supplement state and local child care spending as intended. Any attempted cutbacks in funding should be brought to the media's attention. In addition, bringing the state data to the attention of key agency and legislative staff may strengthen internal support for continued child care investments and full compliance with the federal law.

Take Advantage of Reallocated Funds

The Secretary of Health and Human Services (HHS) can reallocate state funds that are not obligated during the fiscal year at the end of the first quarter of the succeeding fiscal year. States can apply for these funds on a one-time basis. The reallocated funds do not become a permanent part of their base. States could use the reallocated funds to provide additional subsidies to families, or for one-time only quality and supply activities.

Seek Private Sector Support and Funds for Child Care

Public dollars alone will not be sufficient to address the growing need for child care. Employers should be urged to increase their investments in child care and to support increased public investments in child care. Advocates should also consider creative approaches to securing additional private and state funds for child care subsidies.

For example, Florida's Child Care Partnership Act encourages business support in helping low-income parents pay for child care. The Partnership Act represents a three-way partnership between the state, the business community, and parents, guaranteeing up to $2 million in state funds if matched by employers. Parents will continue to pay a fee based on the sliding scale for the subsidized child care program. Employers may choose to participate by contributing funds to cover a portion of the child care benefits for their own low-income employees eligible for subsidized child care. In this case, the employers' contributions would be treated as a business expense. Employers, foundations, and local governments may also contribute to a general child care purchasing pool

used to serve children on the state's waiting lists. In this case, the contribution would be treated as a charitable deduction. The Partnership Act was passed after a study by the Florida Children's Forum revealed that certain employers in the state employed many families receiving federal and state funded child care assistance, thus drawing the connection between child care subsidies and the stability of the low-wage workforce.

Lay the Groundwork for Future Investments in Child Care

It is not too soon to begin building the case for additional child care funds. General information about the need for child care assistance and the quality of care that children receive will be essential if advocates are going to argue for increased investments and improved policies.

Waiting Lists

Waiting lists are one of the few ways advocates and elected officials can gain a rough sense of the number of families seeking child care assistance. They can be a powerful tool for indicating demand for child care assistance.[8] States and counties that do not maintain waiting lists should be urged to do so. Some states facing a large new demand for child care may be tempted to eliminate waiting lists but should be urged to keep them.

Waiting lists are also useful as a way to identify the families that need help but are not receiving it. Minnesota advocates surveyed families on the state's waiting list to learn more about the impact of inadequate child care resources on families' lives. This information helped advocates push for—and win—additional state funds for child care assistance for low-income working families. The Rochester, New York and Rhode Island Departments of Human Services have also conducted surveys of families on their waiting lists which were helpful in gaining additional child care dollars. A Washington State administrator reports that her survey of families on waiting lists shows that they have more difficulties with child care, are working fewer hours, and are three times more likely to use illegal child care compared with similar families that are receiving subsidies (Phillips, 1995).

Evaluation

It will also be important for states and communities to understand the impact of new child care funds and the results of their policy decisions. Urge your state or private funders to support research and evaluation projects that assess the quality of care provided, its effect on children, and its impact on parents' ability to work.

The reporting requirements for child care under the new law can also help to build comprehensive information concerning the use of child care services (see Appendix B for a summary of these requirements). However, many states may not have the capacity to collect the massive amounts of information required. Advocates should work closely with states to help to ensure that the data required in the reporting requirements can be collected. Resource and referral programs are already a good source of local data concerning child care supply and demand. The Children's Defense Fund will also be working with a group of experts to provide technical assistance on data collection efforts.

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8 Waiting lists are not a precise gauge of the need for child care assistance because families may not bother to sign up for help if no funds are available or they might not take their names off the list if they no longer need help. A family's eligibility for child care subsidies should be made before adding it to the waiting list. Waiting lists should also be cleaned or checked periodically to ensure their accuracy.

Part 2:

TANF Decisions That Could Have A Major Impact On Child Care

States' decisions concerning the TANF Block Grant will have a major impact on child care. Tracking the development of state child care plans and policies will be very important for child care advocates. Careful scrutiny will be required, as many decisions will not be specifically stated in the state TANF plans submitted to the federal government or in state legislation. Ensuring child care representation on any welfare reform planning groups or task forces will be important to help guide decision-making about the implementation of TANF provisions. All states should have welfare working groups as well as public hearings on the TANF plan. Advocates should be sure to participate in both.

Key TANF Issues

- ✓ Use TANF funds for child care.
- ✓ Encourage TANF options that reduce the demand for child care assistance.
- ✓ Define appropriate, affordable child care for TANF recipients with children under age six and implement this provision.
- ✓ Be cautious about proposals to require low-income mothers to be family child care providers to fulfill TANF work or community service requirements.

Use TANF Funds for Child Care

More funds may be available for child care than those included in the Child Care and Development Block Grant because TANF funds can be redirected to child care. States receive TANF funds based on their historic spending levels for welfare. Because welfare caseloads are down in most states, many may have the flexibility to spend some of their TANF funds for purposes other than cash assistance, such as child care. Moreover, state budgets are generally in good health, with balances that should enable states to accommodate unforeseen circumstances. In addition, if welfare caseloads do shrink over time as a result of work requirements, the savings must be reinvested in essential supports for children and families, rather than expenditures not targeted for low-income families.

Transfer TANF Funds to the Child Care and Development Block Grant

States may transfer up to 30 percent of available TANF funds to the Child Care and Development Block Grant. Once transferred, the funds become part of the CCDBG for that year and all CCDBG rules apply to the use of those funds.[9] Any funds that the state had previously used for the child care disregard or for child care funded through Emergency Assistance are included in the TANF Block Grant, not the state's CCDBG allocation. Therefore, if a state is to have all of its previous child care dollars included in CCDBG, it should, at a minimum, consider moving dollars equal to the child care disregard and Emergency Assistance child care funds to the CCDBG. States may also choose to transfer additional TANF funds to the CCDBG to help meet the need for child care assistance.

TANF funding should not be transferred to child care if it is at the expense of income or work supports for families. If the state claims to have welfare savings, these savings should not be achieved by reducing benefit levels for current TANF recipients, cutting back on eligibility for TANF, creating short time limits for TANF assistance, or instituting other harmful policy changes. In addition, other severe cutbacks in the welfare Act, especially those concerning legal immigrants, food stamps and Supplemental Security Income (SSI), may mean that states may need to use funds to pick up the costs of providing essential services to legal immigrants and other families, rather than for child care.

To protect themselves from efforts to "divide and conquer," child and family advocates should work closely with each other. This will help to prevent arbitrary and unreasonable changes in welfare policies that affect family survival, and ensure that TANF Block Grant funds are used to protect as many families as possible. It may be necessary to work *against* a reduction in TANF benefits while advocating *for* an increase in child care funding.

Do Not Use Funds From TANF for Child Care Without Transferring Them to CCDBG

States may also use TANF funds for child care and *not* transfer them to the CCDBG. There are a number of reasons, however, why this is not a beneficial option. The most important reason is that any families receiving child care funds through the TANF Block Grant will be subject to TANF time limits and work participation requirements. Even if a family only receives child care assistance through TANF, and no cash assistance, the months that they receive child care count against the 60-month or five-year time limit for any TANF benefits. Work participation requirements would also apply. This means that states would have to count families receiving child care help through TANF when determining the number of families who must meet the work requirements. Furthermore, a family receiving child care assistance directly from TANF funds must assign support rights and cooperate in establishing paternity and enforcing child support. This means that a family might have to turn over some or all of their child support payments to the state. States must pay the federal government the federal share of support collected for any family receiving assistance under a TANF-funded state program.

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9. States may transfer funds to CCDBG and the Title XX Social Services Block Grant. The total amount of the transfer may be no more than 30 percent of the TANF Block Grant. States may only transfer one-third of total funds transferred (CCDBG and Title XX) to Title XX. For example, if they transfer 20 percent of TANF funds to child care they can transfer 10 percent to Title XX.

In addition, it is important to remember that if TANF funds are used for child care without transferring them to the CCDBG the quality of assistance is greatly jeopardized because CCDBG rules would not apply. Providers would not have to meet CCDBG health and safety standards and rates would not have to ensure equal access. States would not have to use any of the funds to improve the quality and expand the supply of child care as is required in the CCDBG. They also could use the child care disregard which does not help families purchase good quality care.

Encourage TANF Options That Reduce the Demand for Child Care

States can choose several options under TANF that would reduce the demand for child care. Advocates should encourage states to look carefully at the actual work requirements before making decisions, and support options that could decrease the need for child care.

Determine Actual Work Requirements

States may argue that they must quickly alter their child care policies to stretch limited dollars to cover more families because they face an increasing number of welfare families that must meet new work requirements. However, states may have more flexibility than it appears in the first few years of implementing the TANF Block Grant. Much of this is because actual work requirements may be considerably less than those included in the Act due to a decrease in many states' welfare caseloads from past years. As a result, states may receive a *caseload reduction credit*, which allows a state to reduce its work requirements by the number of percentage points that a state reduces its welfare (TANF) caseload compared with FY 1995.

For example, if a state reduces its caseload by 15 percent in FY 1996, compared with FY 1995, its work participation requirements will be reduced by 15 percent. As a result, only 10 percent of adults on welfare would be required to work (as opposed to 25 percent). If work requirements are less than initially expected, states can take the time to plan and budget accordingly for future increases in the demand for child care, and not adopt damaging policies that limit eligibility for child care assistance or lower the quality of child care that children receive. (See Appendix E, which indicates what your state's *actual* work requirements for FY 1997 might be.)[10]

Maintain Waivers With More Manageable Work Requirements

States that have federal waivers that include more lenient work requirements than those contained in the new welfare Act should keep them in place to the maximum extent possible. While it may not be clear whether states will be able to keep the exact work requirements in their waivers, they are likely to be able to continue to use the list of approved activities to satisfy the federal work requirements. These activities could include education or training, which might lessen

10 Two notes of caution. Because all families face a five-year time limit, states will have to create adequate child care opportunities for a larger number of families in low-wage jobs, whatever their actual work requirements. Also, a state will get the benefit of this caseload reduction rate only under regulations that HHS is required to publish. It is unclear when these regulations will come out or what they will say.

the demand for long hours of child care and provide mothers with more opportunities to gain the skills they need to get and keep a job.

Reduce the Number of Parents Subject to Work Requirements

Under the Act, states have the option of exempting mothers with children younger than one year from work requirements. This would be a cost-effective strategy, for it would help decrease the demand for infant care, which is extremely costly and in short supply in most communities. If a state chooses this option, they are likely to exempt a mother only once. This is because states may exclude a mother from the group of families considered in the work participation rate calculation for not more than 12 months. These mothers are also still subject to the five-year time limit for TANF benefits, even if they have been exempted from the work participation requirements.

Reduce the Number of Hours Parents With Young Children Must Work

The Act allows states to permit parents with children under age six to work 20 hours a week (rather than full-time) to meet the work requirement. Choosing such a policy would help reduce the demand for child care, though it may increase the demand for part-time care.

Opt Out of Community Service Requirement

The Act allows states to require TANF recipients to perform mandatory community service after receiving assistance for two months, but allows states to opt out of this provision. State legislatures that decide not to require families receiving TANF benefits to provide community service after two months will significantly reduce both the demand for child care and the administrative costs of placing large numbers of individuals in community service.

Provide Pre-Assistance Diversion Programs

Diversion programs give families the kinds of help they need to stay off of cash assistance or TANF, including child care, money for car repairs, or Medicaid. Even though this makes good sense, these families will still be subject to the five-year time limit and work requirements for the benefit package they receive *if* the benefits are paid through the TANF Block Grant. States should explore options for providing such services through other funding streams. For example, if families receive child care assistance from the CCDBG, the TANF rules do not apply and the families do not become recipients of TANF. Because they never received funds through the TANF Block Grant, these families would not have to be counted by states when determining current and future work participation rates and would not be subject to the TANF time limit. This is a good reason to create pre-assistance diversion programs that provide benefits to families, such as child care and Medicaid, that are not financed by the TANF Block Grant.

Be Flexible in Defining Work Activities

While parents must be engaged in some work activity after two years of receiving TANF benefits, the Act does not define the activity. States could create minimal requirements (such as 5 hours a week or 10 hours a month performing volunteer work at a Head Start center or doing community service while participants' children are in school) which would lessen the demand for child care. Obviously as many families as possible should be given the opportunity and training to be in full-time jobs that can help them move to independence.

Do Not Cut Back on the Five-Year Time Limit for TANF Benefits

If states take the option of instituting a shorter lifetime time limit for TANF benefits, they are not only penalizing vulnerable families who may face a series of hardships, but also increasing the need for child care assistance because families in low-wage jobs will not be able to afford child care.

Strengthen the Child Support System to Provide Families With Additional Financial Support

The new federal law makes sweeping child support reforms designed to help make the system more effective in collecting support for children. Many families—those on welfare who must cooperate with child support collection efforts, and non-welfare families who have a right to child support services if they ask for them—do not understand the child support system and the benefits it can provide for their children. Better outreach and counseling about child support can encourage families to pursue child support aggressively and help them to navigate a child support system that seems confusing and bureaucratic. And federal funding to help pay for such counseling is available through the child support program on an open-ended matching basis. The more child support income a family has, the more likely the family is to succeed in work and the lower the state's child care costs will be (because the family has higher income and can afford to pay more of the cost of care). State child care and child support programs should work together closely to ensure that families are effectively counseled about the importance of child support and aided in their efforts to pursue it.

Defining Appropriate, Affordable Child Care

Another key child care decision related to the implementation of the TANF Block Grant is how a state defines "appropriate" and "affordable" child care. The Welfare Act provides that a state may not reduce or terminate assistance under TANF if a parent or caretaker of a child under six refuses to work because she or he is unable to obtain child care for one or more of the following reasons:

1. Unavailability of *appropriate* child care within a *reasonable distance* from the individual's home or work site.
2. Unavailability or *unsuitability* of informal child care by a relative or other informal caregivers.
3. Unavailability of *appropriate* and *affordable* formal child care arrangements.

Under the law, states that do not observe this protection can be penalized by a reduction in their TANF grant. This is a challenging provision because it is not clear whether and how the federal government will define appropriate and available child care. Until regulations are issued, states need to consider their own definitions of such terms. States should make decisions that protect the health and safety of vulnerable children and prevent parents from being unfairly sanctioned for not meeting work requirements. Advocates should be aware that states may not want to enforce these provisions because these mothers continue to be counted in the

"denominator" or *total* number of families who are used to determine their work participation requirements, even though they are individually exempted from working.

Affordable Child Care

Affordable child care should be defined as child care with a co-payment for parents of no larger than 10 percent of a family's income. One could also argue that payment rates are closely linked to the affordability of child care. If they are insufficient, parents may have a difficult time finding affordable or appropriate child care within a reasonable distance because many providers may not be able to afford to care for children receiving subsidized child care.

Appropriate Child Care

At a minimum, *appropriate* or suitable child care could be defined as care that meets the health and safety standards that providers receiving CCDBG funds must meet. A broader definition would require that appropriate child care address the particular needs of each child. There is strong evidence that suitable child care for very poor children should meet the special needs of those children, including more enriched or comprehensive services.

Reasonable Distance

When defining a *reasonable distance from a parent's home*, states must factor in the availability of public transportation and the parent's work location. Parents cannot be expected to walk long distances to child care with a young child in tow or to take several forms of public transportation to get to the child care program and work.

Caseworkers Should Help Families Understand Their Options

It is key that states require caseworkers to *clearly* inform families that they do not have to work if they cannot find care that is affordable and appropriate for their children. Caseworkers should also be required to counsel families about what type of care is adequate and help parents make informed choices. Resource and referral programs could facilitate this either by administering the child care subsidy system or by providing outstations at the TANF office.

States Should Act Affirmatively to Develop Good Child Care Options

Protecting parents from the work requirements when they cannot find affordable and appropriate care is not enough. Because all families face a five-year time limit, or less in some states, advocates and states also should help families access child care and go to work. Therefore, they should be urged to help develop good child care options so that parents can work and develop the work history and habits they need to survive without TANF assistance. It also is important to remember that maintaining reimbursement rates based on the 75th percentile of the market helps parents more easily find appropriate and affordable child care providers who meet their needs.

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Be Cautious About Requiring TANF Parents to Become Family Child Care Providers

The Act allows states to count the hours that parents spend providing unpaid child care for other welfare families toward the fulfillment of TANF community service and work requirements. While many policy makers may support this approach as a low-cost solution to providing child care for families receiving AFDC, it has a number of drawbacks and is more complex than it initially appears. Policymakers should examine such options carefully before taking any action.

Becoming a Family Child Care Provider May Not Help Mothers Become Economically Independent

In low-income communities, family child care can be a relatively unstable job. Providers are dependent on the business of low-income families living in their own neighborhoods, since middle-class families are unlikely to use child care located in poor neighborhoods. These parents might also have very little money to pay providers if states reduce reimbursement rates or freeze eligibility for subsidies. Moreover, there is no guarantee that other low-income parents in a neighborhood will choose to place their children with these new family child care providers. Many low-income parents prefer center-based care for their three-and four-year-old children. Other parents may seek care outside their neighborhoods because they want their children to be in a safer environment or because they want to use care closer to their work.

Low-income parents often have jobs that are vulnerable to sudden lay-offs and shift changes. Low-income providers have no extra resources to tide them over when enrollments drop. Unless a provider has a consistent enrollment, she may not be able to keep her doors open.

Several programs that have trained mothers receiving AFDC to become family child care providers have found that a significant number were unable to make a living. For example:

- In Massachusetts, the Weld administration had planned to enroll almost 150 AFDC mothers in a family child care training program over six months. However, only 50 women signed up. Of this group, 44 received licenses as family child care providers, and 30 went into business. Only 19 of the mothers are currently earning enough to stay off welfare (Grunwald, 1996).
- Similarly, a demonstration project conducted in 1995 in Chicago began with 21 candidates, but only four ended up in child care. Most dropped out because they had trouble making the necessary home repairs and taking other steps toward starting their own business (Kiernan, 1996). These results are of even greater concern given the five-year limit for cash assistance and the need for mothers to have jobs that can support themselves and their children over the long-term.

States may also pay very low rates to some family child care providers, which can make family child care an even less viable career. For example:

- In Wisconsin, family child care providers who care for three or fewer children and receive public funds will earn a minimal income under the state's new welfare plan. The state will pay these providers only 50 percent of the market rate for licensed family child care.
- In California, providers who are exempt from regulation receive reimbursements as low as $1.69 per hour (Child Care Law Center, 1996). Furthermore, many family child care providers do not receive health care benefits.

Only Individuals Truly Interested in Becoming Providers Should Be Encouraged To Do So

Women faced with the alternative of losing basic income assistance may be "forced" into providing family child care to meet the work requirements. If they are, children may not get the good quality care they need. As in all professions, those who choose to become child care providers out of genuine interest in the work tend to offer better services. For example, *The Study of Children in Family and Relative Care* found that family child care providers who are "intentional" about their work and committed to caring for children offer higher quality, warmer, and more attentive care (Galinsky, 1995).

New Family Child Care Providers Need Start-Up Assistance

Low-income women starting family child care programs are likely to need help in purchasing basic equipment such as cribs, high chairs, toys, and books. Many live in apartments or houses, including public housing projects, that are in considerable disrepair, and will need help to make repairs and improvements to meet health and safety requirements. Unless states are willing to commit new funds for quality improvements and supply-building, mothers receiving AFDC may find it very difficult to start up a successful family child care business.

New Providers Need Training and Support

Family child care is an isolating job (Larner, 1994). Providers care for as many as 12 children for up to 12 hours a day, often without contact with other adults. They also are not likely to have any experience in running their own business. These providers must therefore be linked to organizations that offer technical assistance and support. The Cabrini-Green Family Child Care Network, which began training low-income women in May 1996, found that none of the three women who initially signed up could read well enough to begin child development classes, although they all had high school diplomas. They had to attend remedial classes in order to be prepared to work with children (Kiernan, 1996). States need to invest in resource and referral programs and/or other community-based organizations, such as umbrella sponsors for the Child and Adult Care Food Program, family child care associations, or family child care systems, that can help family child care providers offer high quality early education to children. However, states are often reluctant to make the kind of investment that is necessary to support consistent mentoring and technical child care assistance, and to improve caregivers' business skills.

Part 3:

Key Policy Decisions Related to the CCDBG

This part addresses a number of child care issues important to advocates. The planning process for the new Child Care and Development Block Grant could have major significance for families' child care options. A well-developed state plan for the new CCDBG could be the impetus to put in place the building blocks for a coordinated approach to early care and education that makes good child care affordable for a large number of working families. Since the new CCDBG requires a single lead agency, this could also be the opportunity to consolidate all child care programs in one place and create a uniform set of policies for all children receiving assistance.

However, the significant new demand for child care, coupled with inadequate resources, could tempt states to make shortsighted decisions that would produce dire results for children and families. Some of the possible state decisions examined in this part include:

- States must decide who will receive child care assistance. They could, over time, choose to allocate most of their child care funding to welfare families, leaving low-income working families without the assistance they need to stay in jobs, support their children, and keep their children safe and in developmentally sound settings. They could also eliminate help for other groups of families, such as families enrolled in education or training programs.
- States might consider changing their child care subsidy policies in ways that would restrict parents' choice of child care, force families to use cheaper, poorer quality care, and segregate poor children in lower quality child care settings. For example, they could lower payment rates to providers and/or raise parents' share of the costs.
- States might consider further loosening standards for child care, creating more providers that are exempt from state licensing requirements, and leaving no protections in place for children in these settings. States might also lower their licensing standards for center-based care.
- Despite the increased demand for child care services, states might cut back their investments in child care services that support better quality and expanded services.
- States might continue to provide different types of child care assistance for different types of families; that is they might use the child care disregard for families receiving TANF benefits and provide certificates that are worth more than the child care disregard to working poor families. They do have the option of allowing the lead agency to have other agencies operate parts of the new CCDBG which would make it more likely for separate policies to prevail. However, states could also choose to have separate and less equal policies within a single lead agency.

It is critical to avoid moving in these negative directions. Both advocates and state policymakers need to think creatively and broadly about their vision of a good child care and early education system and to make the case for funding that can support safe and affordable child care

for all children who need it. Advocates must seize this consolidated child care program as an opportunity to work together to develop a plan for achieving this vision.

As advocates proceed to evaluate the range of state child care policies, they should consider the total effect of the decisions being made in their states. While a single change may not be worrisome, it may have a devastating impact on families if it is part of a series of policy changes whose effect is cumulative. Wisconsin plans to provide child care assistance to low-income working families on the state's waiting list and families moving off of welfare. This would be partially financed by savings realized from a number of major changes in the child care system. The state plans to: 1) increase parents' share of child care costs; 2) base its co-payment system on the type of care parents choose, not solely on families' incomes; 3) reduce reimbursement rates for family child care providers who care for three or fewer children; 4) eliminate a training requirement for these providers; 5) require mothers with infants older than 12 weeks to meet work requirements; and 6) eliminate child care assistance for most mothers in school or training programs. Although the expansion of child care assistance by itself appears to be a step forward, the total package of changes would pressure parents to choose informal, lower-cost care with lower standards. Thus, the health and safety as well as the sound development of many children would likely be compromised if this package were adopted.

Advocates must think strategically about which child care proposals to oppose or to attempt to reshape. The impact of each proposed change must be carefully analyzed to determine the potential harm it may cause. Some changes may sound damaging, but they may not impact a significant number of children or families. For example, even though a particular state has a relatively high eligibility cut-off for child care assistance, it may serve only the poorest families because of the huge demand for help. Therefore, tightening eligibility in this state may have a minimal impact on families currently receiving subsidies.

Plan for the New CCDBG

Many key implementation decisions are likely to be made during the next several months. States must submit a plan for the use of all the new Child Care and Development Block Grant funds to the Department of Health and Human Services by July 1, 1997. An early focus on the state planning process—including steps to ensure participation by advocates and the child care community—can provide a strong foundation on which to address critical issues and shape the direction of state child care policy.

Key Planning Issues

- ✓ Establish an advisory group.
- ✓ Make the best use of public hearings.
- ✓ Consider the state legislature's role in the CCDBG plan.

Establish An Advisory Group

States should form a broad-based advisory group to work on the development of the state plan. Many states may already have similar planning or advisory groups in place. Such a group can help states develop a full and accurate picture of their diverse child care needs and provide a wealth of experience to draw on when facing tough choices regarding funding priorities, coordination efforts, and program structure.

An advisory group should include representatives of state agencies concerned with child care, prekindergarten, early childhood development, education and children's services, child support and employment, as well as zoning, health, and fire or building code officials. Representatives outside of state government should include provider organizations representing child care centers, family day care homes, early childhood development, Head Start, Title 1, and state funded preschool programs; public school representatives; family support advocates, parents, including low-income parents and parents receiving TANF benefits; resource and referral programs; advocates; volunteer organizations; labor unions; private employers; and health professionals. Head Start and prekindergarten programs must be considered a strong component of a state's early care and education system because of the large amount of funding they receive in many states. Their resources must be factored into policy planning and planning for child care demand.

Even in the absence of an advisory committee, however, advocates should seek input about the state plan and build good relationships with state officials. One approach to establishing a dialogue with state officials could involve sponsoring forums or asking others in your community to set up meetings or retreats. These can provide an opportunity for state officials and early care and education advocates to discuss, in a neutral environment, the child care needs of children and families and possible solutions to meeting these needs. Another approach is for advocates to create their own advisory committee and inform the media and/or the state legislature about its decisions.

Make the Best Use of Public Hearings

If not undertaken on a pro forma basis, a public hearing can provide additional input into the plan. The new child care provisions include stronger public hearing provisions than the old CCDBG. States must hold a public hearing on the development of the state plan and ensure that "sufficient time and statewide distribution of the notice" be given of the public hearing. To maximize public input, states should hold several hearings in different geographic locations throughout the state.

Groups such as child care provider associations, parents, resource and referral agencies, child development experts, children's organizations, child advocates, zoning officials, local health departments, public school representatives, and other agencies concerned with children should receive a copy of the plan and be informed about the date and place of all hearings in a timely manner.

Of course, public hearings should be used as a forum to raise major issues and concerns and offer recommendations. Planning meetings among advocates *in advance* of the public hearings can be particularly useful in developing a common agenda and identifying witnesses who can address key issues. These meetings are especially important given the myriad trade-offs that states may consider because of the increased demand for child care generated by the Act. Once hearing dates are set, advocates should make sure that the media know about the time and place of the hearing and the major issues that will be covered.

If advocates raise concerns at hearings that are discounted in the final state plan, they should continue to raise these issues with the public and state elected officials and administrators. If states make shortsighted decisions that do not reflect a range of legitimate concerns, their actions should be questioned by the media, state and local legislators, and the Governor's office.

Consider the State Legislature's Role in the CCDBG Plan

State legislatures can play an important role in determining the direction of child care policies—particularly decisions concerning funding for child care through the appropriations process. Therefore, advocates should use the annual or bi-annual appropriations process to gain legislative support for child care. Sometimes, legislators also make decisions about reimbursement rates, standards, and other policies. Even if the legislature has no official role regarding the CCDBG plan, elected officials can help or hurt depending on whether they understand the importance of good early care and education. Efforts to educate legislators about the impact of policy decisions on families' abilities to choose safe and supportive child care arrangements are therefore critical.

Set Broad Eligibility For Child Care Assistance

Eligibility for child care assistance is one of the first issues that states will likely reconsider as they face greater demand for child care subsidies. Before the Act, states had two categories of families who were automatically eligible for child care assistance: families on welfare who were working or participating in education or training programs, and families making the transition off welfare. Guaranteed child care was available to these families through an open-ended federal entitlement, which is now eliminated. In addition, states provided some assistance to low-income working families who were not on welfare. Because there are now no categories of families who are automatically eligible for assistance, states will have to decide who will be eligible to receive child care subsidies. States will have to balance the need to help families receiving TANF benefits against the needs of working low-income families and families in transition between cash assistance and work. States are likely to re-examine who currently receives child care assistance and whether these families should continue to receive help or how such families should be prioritized for assistance.

The Act does not give states much direction in this area. Under the CCDBG, families earning up to 85 percent of the state median income can receive help in paying for child care. Seventy percent of the capped entitlement funds are to be used for families receiving TANF benefits, those moving off TANF assistance, and families "at risk" of receiving such assistance. A substantial portion of remaining capped entitlement funds and discretionary funds are to be targeted to serve low-income working families other than those described above. In reality, these provisions are not particularly prescriptive or limiting because most families needing child care assistance are receiving TANF benefits, have just moved off TANF, or are at-risk of dependence. One could easily argue that all working poor families and poor families in school or training live close to the edge and therefore are "at-risk" of becoming dependent on cash assistance. Similarly, if TANF families are working because of work requirements, one could label them "low-income working families."

Key Eligibility Issues

- ✓ Consider the possibility of enacting a child care entitlement or guarantee for all low-income families.
- ✓ Recognize the importance of ensuring that families receiving TANF and working poor families receive help.
- ✓ Recognize the importance of providing child care assistance to a range of children and families, including school-age children, children needing protective services or foster care, parents participating in education and training, and children of legal immigrants.

Consider a Child Care Entitlement or Guarantee for All Low-Income Families

States should consider replacing the entitlement for child care assistance for families receiving AFDC with a state entitlement for all families below a certain income level that need child care assistance, whether or not they receive TANF. In some states, this could be partially financed from the savings that they achieve by moving families from welfare to work. States such as Rhode Island and Vermont offer child care help to all families below a certain income, regardless of whether they are working or receiving TANF benefits. Wisconsin plans to provide child care assistance to both low-income working families and families receiving TANF by providing funds to serve all families needing assistance whose incomes are below 165 percent of poverty. Their plan is dependent on the availability of appropriations to meet the need.

A new entitlement for low-income families is probably viable in states that have more generous welfare and child care policies and greater flexibility in restructuring their child care systems. If, for example, a state pays welfare benefits that are higher than the cost of child care, the state may realize savings by providing some families with child care assistance rather than welfare benefits. On the other hand, states with very low welfare benefit levels may find that monthly child care costs far exceed a family's monthly welfare check. This makes a child care entitlement less attractive, and means that these states will face an enormous financial burden as they move families from welfare to work unless they provide reduced levels of child care assistance. States with very low child care co-payments for parents and higher eligibility cut-offs for child care assistance may also be able to redirect resources to an entitlement by tightening eligibility somewhat or increasing co-payments slightly. But these options would not be available in states that already have high co-payments and/or low eligibility cut-offs.

Some experts argue that the most important goal to strive for is to enact a modest entitlement that can be expanded later. While this is a valid goal, states and advocates must weigh other equally important considerations. If in the process of achieving an entitlement many families lose access to child care assistance or lose their ability to choose decent quality child care, the victory will be empty indeed.

If states cannot finance a broader entitlement, at a minimum they should guarantee child care assistance to families whose incomes make them eligible for TANF benefits, and to families who are moving off cash assistance. Some states have already indicated that they may not even guarantee child care to families participating in TANF work activities. Utah's welfare

reform legislation, for example, encourages social workers to see if TANF families can find free child care before offering them a subsidy. Pennsylvania's welfare legislation clearly states that child care is not guaranteed to TANF families. Instead, it states that child care assistance may be provided if a family cannot comply with work requirements without such help.

States could also consider guaranteeing child care to a particular group of families, but still make assistance available to families above the income cut-off as funds are available. This would entail creating a waiting list for families whose incomes are above the cut-off level for the guarantee.

Ensure That Child Care Help is Available for Low-Income Working Families and Families Receiving TANF

There is significant concern that TANF work requirements and the five-year lifetime benefit limit will force states to focus the majority, if not all, of their child care assistance on families receiving TANF benefits at the expense of low-income working families who are not receiving TANF. States are likely to propose cutbacks in their current eligibility levels to find funds to provide services for TANF families. States could also make subtle changes in their priorities for who receives child care assistance. Families with the lowest priority are not likely to receive any child care assistance, thus allowing a state to effectively eliminate a category of families without a formal policy change.

At the beginning of TANF/CCDBG implementation, it may be possible to expand support for low-income working families. Work requirements increase over time, yet the increases in child care funding are distributed fairly evenly across a seven-year period. Consequently, in the first years, when work requirements are lower, some states will have additional child care dollars that could be used to help low-income working families. Some may argue that it is not good planning to spend these dollars now for the working poor since states may need to focus child care spending in later years on welfare families. However, several years of child care assistance can mean a great deal to a family coping with a limited income. It may even be enough to provide for their children until they enter school and their child care costs are lower. (See Appendix F for state increases in FY 1997 child care funds over FY 1996.)

Moving families receiving TANF to self-sufficiency is an important goal. Helping families *stay* self-sufficient is another. Without stable child care, low-income working families can too easily lose their jobs and fall onto welfare. There must be a careful balance between helping families receiving TANF and low-income working families. Even before the welfare Act was enacted, half the states plus the District of Columbia reported to CDF an increase in the proportion of child care slots or dollars going to welfare families rather than low-income working families (Ebb, 1995). Sizable waiting lists in 38 states also underscore the large numbers of working poor families who need help in paying for child care. Without such help, many of these families suffer. They may lose their jobs, return to welfare, incur serious debt, place their

children in unsafe or frequently disrupted child care arrangements, or come into the child welfare system when children are left home alone or get into trouble. These harms are not speculative:

- A 1995 survey of low-income families on the waiting list for child care assistance in Hennepin County, Minnesota, found that of those families paying for child care, 71 percent faced serious debt or bankruptcy. Many reported frequent changes in child care arrangements. One parent reported that her child "is six months old and has been in three horrible daycares in two-and-one-half-months" (Greater Minneapolis Day Care Association, 1995).
- In Milwaukee County, Wisconsin, approximately one fourth of all families that exhausted their Transitional Child Care benefits returned to AFDC between October and November 1993. During that same period, the county was not able to provide continued child care assistance to these families. The county believes that the unavailability of child care assistance was the major reason for the families' return to AFDC (Milwaukee County Department of Human Services).

Child care assistance definitely helps low-income families work. For example, the GAO found that increasing the availability of child care subsidies would increase poor mothers' work participation rates from 29 percent to 44 percent, and near-poor mothers' rates from 43 percent to 57 percent (U.S. General Accounting Office, 1994).

Before lowering eligibility, states should first evaluate the income of families who currently receive child care services. If most families receiving child care assistance have incomes at or near the poverty level, the impact of lowering eligibility in a state with higher eligibility cut-offs may be minimal. If states must lower eligibility requirements, the effects can be mitigated somewhat by setting entry-level income eligibility requirements lower than exit requirements, so that families receiving modest salary increases do not lose their child care assistance. For example, a state could set its entry eligibility cut-off at 65 percent of the state median income and its exit cut-off at 85 percent. This is a sensible policy to consider in any case. It may not increase state costs much because low-income workers do not often receive large wage increases or "earn" their way out of child care eligibility. A follow-up study of families in Illinois who had received Transitional Child Care assistance and were currently receiving At-Risk child care funds, found most families' incomes remained fairly flat after two years (Illinois Department of Public Aid, 1995). In addition, states that lower eligibility levels for child care assistance should consider grandfathering in families currently receiving assistance whose incomes fall above any new cut-off for eligibility. (These families would continue to receive child care assistance under a state's old eligibility cut-off.)

Protect Child Care Assistance for School-Age Children

Child care assistance for school-age children should receive special attention, yet states may consider cutting back this assistance. The current law clearly states that children up to age 13 may receive federal child care assistance. In addition, the Act includes a Sense of Congress that encourages states to give highest priority for work to adults in two-parent and single-parent families that include school-age and/or older preschool children. However, states may still lower the age cut-off or refrain from giving subsidies for school-age child care for numerous reasons. Limiting eligibility to younger children could be seen as a cost saving measure. States might interpret the elimination of the early childhood and school-age set-aside in the old CCDBG as an invitation to cut back on services to school-age children. Some might try to use the fact that Congress did not

exempt mothers who cannot find affordable child care for their older children from work requirements as a rationale for limiting assistance for school-age children.

Cutting back on school-age care is shortsighted for several reasons. Child care assistance for school-age children is a very real need for many low-income mothers and mothers leaving welfare. Many low-income women work in odd-hour jobs as opposed to jobs that fit their children's school schedules. Child care assistance is essential for these mothers as well as for those who need help after school and during vacations.

Ensuring the safety of school-age children is increasingly necessary as more and more low-income children spend time before and after school in unsupervised settings in violent neighborhoods. It is important to protect children from harm and ensure that they have constructive alternatives for spending their time.

Research has documented many negative effects of self-care by children:

- Children are more likely to be hurt when they are unsupervised for significant lengths of time, a risk that is especially high for low-income children in urban settings (Dwyer et al., 1990).
- Self-care is associated with fearfulness and anxiety (Posner and Vandell, 1994), and unsupervised boys and girls show more anti-social behavior than supervised children (Dwyer et al., 1990).
- Children who begin taking care of themselves in elementary school are significantly more likely to report high use of alcohol by eighth grade. Regardless of how early they became latchkey children, eighth-graders left home alone for 11 or more hours a week report significantly greater use of cigarettes, alcohol, and marijuana than children not left home alone (Dwyer et al., 1990).

Good school-age child care, on the other hand, can help children do better in school. For example, low-income third-graders attending more formal after-school programs in Milwaukee had better grades in reading, math, and conduct, and were rated by their teachers as having better work habits and peer relations than children who were informally supervised after school (Posner and Vandell, 1994).

Yet, low-income children are less likely to have access to school-age care or constructive after school experiences. In 1993, only 33 percent of schools in low-income neighborhoods offered before- and after-school programs, compared to over 50 percent of schools in affluent neighborhoods (U.S. Department of Education, 1993).

To ensure that children are safe and engaged in positive activities, states should maintain eligibility for school-age child care assistance for children younger than 13. They should also expand the protection that mothers who cannot find appropriate, affordable child care do not have to meet the work participation requirements to include mothers with children up to age 11. Language extending this protection for school-age children was in both the original House and the Senate passed bills though was dropped in the final compromise bill. States should also consider earmarking subsidy dollars for school-age children and investing supply funds in starting up school-age programs in low-income neighborhoods.

Protect Parents Participating in Education and Training

Even though the Act does not preclude states from providing child care assistance to families enrolled in education or training activities, these activities entail strict limitations in work requirements. For example, parents enrolled in two- or four-year colleges may not be able to use this activity to meet work requirements.[11] Because of this, a number of states are considering eliminating child care assistance for parents enrolled in any type of college. However, it is important to remember that the Act does not *preclude* states from providing child care assistance to families enrolled in this type of education or training program. In addition, states that have waivers that include education, training, and college as allowable activities to meet work requirements should continue child care assistance for these families.

Some states, such as Wisconsin, have proposed guaranteeing child care to low-income families but would stop providing child care assistance to families pursuing education and training. Cutting off assistance to these families would be shortsighted because education is key to true economic self-sufficiency for low-income mothers:

- A study of AFDC women in New York City who finished college found that 87 percent were able to move off—and stay off—welfare by obtaining and retaining relatively high paying jobs (Gittell et al., 1993).
- A replication of the study in five other states found that respondents who had completed a four-year degree were most likely to have left welfare for stable employment and to be earning a salary adequate to support a family (Gittell et al., 1993).
- Other research indicates that education increases the earning power of all women. In 1992, the median earnings of full-time female workers was $18,648 for those with high school diplomas, $24,849 for those with associate's degrees, and $31,378 for those with at least bachelor's degrees (U.S. Census Bureau, 1992).

Advocates also should be wary of policies that set up so many roadblocks as to make it impossible for parents to receive help. For example, Iowa requires mothers over twenty who are enrolled in college to work thirty hours a week to receive child care assistance. This makes it impossible for a mother to work, go to school, and study successfully, as well as spend quality time at home with her children.

Protect Child Care Assistance for Children Needing Protective Services or Foster Care

Child care policies must protect children in foster families and children at risk of abuse or neglect. Because different states use different funding streams to provide assistance for these children, it may be difficult to assess where changes in eligibility are occurring. In some states, for example, children in Child Protective Services (CPS) who need child care are funded by the child welfare agency. Advocates may need to track CPS child care eligibility proposals and the trade-offs discussed for the child care subsidy system to ensure that child care assistance is maintained for this

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11 States may not count high school or college education towards the 20 hours/week work participation requirement unless the parent is below age 20 and is completing high school. But the law does allow a year of vocational education for 20 percent of the caseload, and also permits on-the-job training. States can always provide education or training beyond the 20 hour work requirement, along with the necessary child care. (Starting in FY 1999, the hours of required work activities rise to 25 hours per week, and then to 30 in FY 2000 and beyond. The hours above 20 may be spent in high school, high school equivalency, or job skills training.)

35 BEST COPY AVAILABLE

important group of vulnerable children. States should also make use of Title IV-E funds to pay for child care for children at risk of abuse and neglect or in foster care since Title IV-E remains an open-ended entitlement. Advocates should work with their state's child care and child welfare administrators on this important issue.

Protect Child Care Assistance for Legal Immigrants

States should continue to provide child care assistance to legal immigrant children. While there are prohibitions on assistance to legal immigrants who enter the country after the date of enactment of the welfare Act, the administration is still debating various interpretations of these provisions and whether the restrictions on assistance to legal immigrants apply to child care benefits. Until clarification is available, advocates should also encourage naturalization efforts by parents and children to ensure that they remain eligible not only for child care but also for other federal and state benefits. (Child care providers who are low-income themselves and are legal immigrants should also be encouraged to become naturalized.) Child care providers and resource and referral agencies can distribute information about naturalization to parents and to other child care providers.

Sliding Fee Scales Should Ensure That Child Care is Affordable

Most states use a sliding fee scale system that requires parents to make child care co-payments based on their income. Parent fees help to offset the cost of subsidies and therefore affect the number of families that states can afford to serve. In a time of increasing demand and decreasing funds for child care assistance, many states may reconsider their sliding fee scales if they need to raise additional revenues. Proposed changes to fee scales should be evaluated closely as the structure of parent fees directly affects parents' ability to afford child care. The relationship between fees and affordability are particularly important in light of the Act's provision that guarantees that a mother should not be penalized for failure to meet work requirements if she cannot locate *affordable* child care. Experts argue that child care is not affordable if parents have to pay more than 10 percent of their income. This is an extremely important marker to consider as states develop their sliding fee scales. [The Census Bureau reports that all families nationwide paid an average of 8 percent of their income for child care, yet in 1993, poorest families (earning less than $14,400 a year) who paid for care, paid 25 percent of their incomes for child care. (U.S. Census Bureau, 1993).]

Key Sliding Fee Scale Issues

- ✓ Protect poor families from high co-payments.
- ✓ Avoid basing co-payments on the cost of care.
- ✓ Do not severely penalize families whose earnings increase.
- ✓ Evaluate policies that allow providers to charge additional fees.
- ✓ Evaluate fee policies for families with more than one child.
- ✓ Do not increase fees too quickly.

Even sliding fee scales that appear reasonable may have unequitable and counter-productive features. If not constructed with great care, sliding fee scales can penalize families that choose certain types of child care arrangements, or penalize families that have more than one child in care.

Protect Very Poor Families From High Co-Payments

Previously, states were not allowed to charge co-payments to families receiving AFDC; however, there is now no federal prohibition against co-payments for TANF families. Whether receiving TANF or not, many very poor families cannot afford to pay much, if anything, for child care. Some policy experts argue that it is a good idea to require a modest fee from all families because it helps parents understand the value of child care assistance and makes it easier for them to adjust to the eventual loss of their child care subsidy. However, these benefits must be weighed against the administrative burden of collecting small fees that yield little increased revenue, since it makes no sense to impose anything but an extremely low fee on the lowest-income families.

Consider the Impact of Other Service Cutbacks

Low-income families also could experience a number of severe cutbacks in food stamps, child support, and SSI assistance. For example, states no longer have to give the first $50.00 per month of child support to a family receiving TANF benefits, which means that families would lose this source of income. The combined effect of these changes on the incomes of low-income families could be quite serious, and it is essential that state policy makers should consider this when discussing possible increases in child care co-payments. Child care advocates should be familiar with other changes affecting low-income families so they can argue effectively against major increases in child care co-payments.

Avoid Basing Co-Payments on the Cost of Care

States may consider requiring parents to pay a certain percentage of the cost of the care they choose for their children, with the percentage increasing as their incomes grow. This tends to discourage parents from seeking higher-cost, and often higher-quality, care. The policy also is likely to limit parental choice by forcing certain types of more formal care out of business (such as centers in low-income neighborhoods) because parents cannot afford to use their services.

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Advocates for basing co-payments on the cost of care argue that it makes the eventual transition to paying the full cost of child care less difficult. On the other hand, higher fees make better quality care unaffordable, so the children who most need good quality care are unlikely to receive it. States also should closely examine how long families receive assistance. If families in their state receive child care assistance for a significant amount of time, being able to afford good quality care during the time they can get assistance may be more important than the eventual increase in their child care fees.

Do Not Severely Penalize Families Whose Earnings Increase

Co-payments should not be increased too rapidly as parents' earnings rise. If changes in the sliding fee scale are not constructed carefully, such increases could make it even harder for families to get ahead.

Evaluate Policies That Allow Providers to Charge Additional Fees

Some may argue that allowing providers to charge additional fees expands parents' choice of providers. However, the practice of allowing providers to charge parents fees that exceed the rate ceilings and co-payments established by the state can make a state's sliding fee scale and reimbursement rate policies meaningless. The purpose of a child care subsidy system is to help parents pay for child care that they could not otherwise afford, and a sliding fee scale for publicly funded child care typically is based on an estimate of what parents can afford to pay. If providers are permitted to charge fees that exceed the fee scale, they are likely to do so. Therefore, low-income families will be unable to afford good quality child care, even with a subsidy. If the only way for parents to have a reasonable choice of providers is to allow for additional fees, then it is clear that a state's reimbursement rates are too low and do not ensure parental choice or equal access.

Evaluate Fee Policies for Families With More Than One Child

Although states might reduce child care costs by requiring higher co-payments for second or third children, there are competing considerations in setting co-payments for larger families. If co-payments for additional children are very small—as they are in some states—families that lose child care assistance are faced with child care bills they will be unable to cover. On the other hand, if parents with several children are charged substantial fees for each additional child, they may not be able to take advantage of the subsidies, and thus cannot move toward self-sufficiency.

Do Not Increase Fees Too Quickly

States should gradually phase-in rate increases. States with very low co-payments may be able to raise parents' share of child care costs slightly, without making child care subsidies unaffordable. However, these states should increase fees gradually over six months to one year, so families can adjust gradually to the higher costs.

Payment Systems Should Ensure Choice, Quality, And Stability

States differ widely in the approach(es) they use to reimburse for the cost of care. They also differ in the terminology they use to describe these approaches, including terms such as "vouchers," "certificates," "purchase of service agreements," "contracts," and "direct payment to parents." Unfortunately, none of these terms has an "official" definition. States with very different methods often use the same terms, while states with similar methods may use different terms. Furthermore, many states use more than one approach within a particular subsidy program or across state programs.

Both the "old" and the new CCDBG require that all states provide some assistance through a certificate or voucher system, in which funds follow the child rather than stay with the provider. In addition, some states contract with a specific number of providers, guaranteeing subsidized care through those providers. Sometimes the state contract guarantees providers payment for a certain number of slots.

Key Payment System Issues

- ✓ Use a mix of guaranteed contracts and certificates.
- ✓ Pay providers rather than parents.
- ✓ Continue to contract for early childhood and school-age activities.
- ✓ Avoid the child care disregard.

Use a Mix of Guaranteed Contracts and Certificates

Certificates or vouchers offer parents a great deal of flexibility. However, excessive reliance on certificates can create problems for providers and parents, particularly in low-income neighborhoods or rural areas. Centers in areas with a high concentration of very low-income families or a small population base need to be guaranteed a certain number of children to start operating and to stay in business. A certificate or voucher system often does not give providers assurance that enough families will be able to pay for child care, which means that providers will hesitate to open child care programs. It also makes it more difficult for providers to operate programs. When communities freeze intake for their certificate programs, centers in low-income communities cannot fill vacant slots which can force them out of business. Therefore, parents in these neighborhoods who are given certificates for child care may not have a great deal of choice.

For this reason, a mix of certificates and contracts often is necessary to guarantee that parents in low-income neighborhoods and rural areas have access to child care centers and have a real choice of program options.

42 BEST COPY AVAILABLE

Pay Providers Rather Than Parents

If states are using certificates or vouchers, they must first choose whether to pay parents or providers. Because many providers are unwilling to accept low-income children receiving public funds without the guarantee of direct payment from the state, parents are likely to have more child care options when the state pays providers directly. A 1991 CDF survey of child care funded by the Family Support Act, found that 17 states reported that direct payments to parents and delays in payments contributed to providers' unwillingness to serve low-income children receiving public funds (Children's Defense Fund, 1991). If states are reluctant to pay providers directly, an alternative solution is to use a two-party check written to both the provider and the parent.

Some states pay parents directly under certain circumstances, such as when they choose exempt or informal child care. Some state officials believe that if they do not issue a payment directly to the provider, the state is not liable for meeting FICA, minimum wage, or unemployment compensation requirements. However, in such a case, the state simply shifts the burden for these payments onto parents and providers, who may not be aware of their responsibility or have the resources to cover the costs.

If states choose to pay parents directly, policy makers might consider offering parents a choice between a payment made directly to them or to their provider. If states insist on paying parents directly, they can improve parents' ability to access good, stable child care in two ways:

- **Offer prospective payment**: Because first month child care costs can be as high as $200 to $400 a week, low-income parents rarely have the resources available to pay for them up front and then wait for reimbursement. This delay may be especially difficult for parents who have just begun to work. Moreover, some providers require parents to pay their first month's child care fee in advance. Parents who cannot afford the out-of-pocket costs for child care may be forced to choose arrangements that are not stable enough for them to keep their jobs or that do not provide the developmental experiences their children need to enter school ready to learn. Even if states do not choose to make prospective payments regularly, advocates should urge states to offer them for the first two months that the family needs child care assistance, or offer them in cases where providers require advance payment for the first month of child care. Utah is now paying parents directly but does so on a prospective basis.
- **Reimburse parents quickly:** States must reimburse parents for child care quickly. Delayed reimbursement can unravel low-income families' efforts to manage tight budgets. Providers also operate on limited budgets and do not have the funds to cope with lengthy delays in payments. Allowing providers or parents to file bi-weekly claims can offer some relief. Prompt reimbursement helps parents have real choices. For example, the Illinois Department of Public Aid found that families who are reimbursed for their child care costs 30 to 60 days after they had been incurred displayed patterns of child care use that were similar to those of low-income families not receiving a subsidy. Families who received subsidies through programs that subsidized providers directly or enabled families to pay providers when fees were due showed substantially higher rates of reliance on center-based and family child care (Siegel and Loman, 1991).

Continue to Contract for Early Childhood and School-Age Activities

Most states offered some contracts through the 18.75 percent set-aside in the old CCDBG for early childhood and school-age activities. This set-aside, eliminated in the new CCDBG after September 1997, provided states an opportunity to provide contracts to programs providing infant, preschool, and school-age care as well as to extend Head Start's hours. These contracts allowed part-day programs to have secure funds with which to hire additional teachers, extend their hours, and meet the needs of families who worked outside the home. They also helped to ensure that school-age programs in low-income neighborhoods would be able to stay in operation to serve children. States should consider targeting some subsidy dollars for contracts to support the activities that were included in the 18.75 percent set-aside.

Avoid Using the Child Care Disregard

The provisions regarding the child care disregard, previously used by many states for families on AFDC, were eliminated in the Act. The new Child Care and Development Block Grant retains old CCDBG language that requires states to offer parents the choice of a certificate or a contract--thus prohibiting states from using the disregard as a payment option with new CCDBG funds. The elimination of disregard provisions related to welfare does not prohibit the use of TANF funds (not transferred to CCDBG) for the disregard. However, using either the disregard or TANF funds for child care have such serious drawbacks that neither is a very desirable option.

The Child Care Disregard Severely Limits the Amount of Assistance, Thus Limiting Parents' Child Care Options

Under the disregard, parents who worked and received income assistance were allowed to discount part of their earnings when determining the amount of their cash assistance grant. Because the level of benefits decreased as earned income increased, the disregard could result in somewhat higher benefit levels or continued eligibility for welfare if a parent's income was close to the eligibility cutoff. The amount families could disregard was limited to $175 for each child age two and older, and $200 a month for younger children.[12] The disregard did not result in $175 or $200 increases in benefit levels, however. After numerous calculations were made to decide the amount of their welfare check, the actual increase in benefits was considerably smaller.

Previously, some families benefited from access to the disregard because it allowed them to remain eligible for some welfare assistance, which may have increased their income (welfare benefits were added to their work incomes) and allowed them to remain eligible for Medicaid. **However, given the five-year time limit, the value of extending a family's TANF benefits is greatly diminished**; it may be more important to save their TANF benefits for the many emergencies or periods of unemployment that a low-income family is likely to face.

In addition, because the disregard required parents to pay up front out of their pockets, many providers were reluctant to accept these children. Providers feared the parents would have difficulty making regular payments from their minimal salaries. For example, the Illinois Department of Public Aid found that the use of the child care disregard increased the use of less expensive, informal child care providers. In contrast, parents who received child care subsidies—those enrolled in Project Chance, Illinois' JOBS Program, and parents receiving transitional child

12 Some states supplemented the amounts above $175 and $200. The TANF Block Grant includes no mention of the disregard or specific amounts. Technically, states could use TANF funds for the disregard and set an amount even lower than $175 or $200.

44 BEST COPY AVAILABLE

care assistance—were more likely to use center-based care, because the state paid virtually all providers directly, which gave parents a better choice of child care (Siegel and Loman, 1991).

The Child Care Disregard Does Not Encourage the State to Protect Children in Subsidized Care

Because the state child care agency and child care providers have little on-going contact when the disregard is used, the agency cannot protect children by monitoring health and safety issues nor provide technical assistance to child care providers. The more contact between the agency and caregiver, the more opportunities the agency has to provide technical assistance to help the provider improve the quality of care. The agency also has a chance to identify problems that jeopardize the health and safety of children.

Reimbursement Rates Should Allow Parental Choice

States usually set a limit on the *maximum* amount they will pay each type of child care provider participating in the subsidy program, and will pay the fees that the provider charges as long as they fall below the maximum for the type of care. Thus, the rate the state pays the provider varies significantly, depending on the type and location of the provider. Under the Family Support Act (FSA), states were required to pay the market rate for AFDC, TCC, and At-Risk child care. Regulations interpreted this as requiring states to set their maximum rate ceilings at less than the 75th percentile of the market cost of care. Most states used the FSA reimbursement rate criteria to set their rates for all funding streams, including the old CCDBG. The new CCDBG eliminates the market rate requirement but does require states to ensure that rates are sufficient to ensure that eligible children have access to child care services equal to those provided to nonsubsidized children. States must also honor the parents' choice of provider to the maximum extent possible. Proposed changes in reimbursement policies must be monitored because they can make an enormous difference in parents' choice of child care options, their ease obtaining care, and the willingness of providers to accept children receiving public funds.

Key Reimbursement Rate Issues

- ✓ Maintain rates at the 75th percentile of the market.
- ✓ Set differential rates for high quality care.
- ✓ Maintain separate rates for different types of child care.
- ✓ Consider the impact of paying lower rates for unregulated care.
- ✓ Avoid other rate policies that limit parental choice.

Maintain Rates at the 75th Percentile of the Market Rate

Without equal access to affordable, appropriate child care, our poorest and most vulnerable children do not have access to the supportive child care arrangements they need to enter school ready to succeed. States should be urged to base their child care reimbursement rates on the 75th percentile of the market rate to ensure that low-income children have access to good quality care.

Because of the increased demands expected on their child care systems, state policy makers are likely to consider lowering their reimbursement rates, either across the board or for specific categories of care. Given that the Act may give them the latitude to do so, advocates will have to work hard to protect rates. In their state plan, states are required to include a summary of the facts so that it can be determined if the payment rates allow for equal access. States should be urged to conduct market rate surveys to obtain the information that they must include in their plan for determining rates. If states do not conduct market rate surveys, advocates should attempt to collect data that indicate the market rates for child care in their communities to make the case for rates that ensure equal access. Resource and referral programs can be very helpful in this regard.

States should set reasonable rates for subsidized child care because unreasonably low reimbursement rates for subsidized child care can have a number of ill effects. Low rates can make it difficult for parents who must meet work requirements to find affordable, appropriate child care within a reasonable distance from home or work. Low rates also do not provide *equal access* or ensure parental choice. And low rates mean that parents can access only a small segment of the child care market -- the cheapest providers who may provide the lowest quality care. For example:

- A 1986 study by the Washington State Department of Social and Health Services found that many providers refused to accept subsidized children, and 60 percent of those that did said they limited the number of subsidized children they accepted, typically because the subsidized rates were too low (Wicks and Caro, 1986).
- A study by the Illinois Department of Public Aid found that many AFDC recipients reported that they were unable to find a caregiver willing to accept state reimbursement for subsidized care (Siegel and Loman, 1991).
- In a fifty-state survey in 1991, 26 states reported that some providers were unwilling to serve parents subsidized by JOBS or receiving transitional child care assistance because of low rates (Ebb and Lookner, 1991).

Maintain Separate Rates for Different Types of Care

The Act eliminates language in the old CCDBG that required states to account for variations in the cost of providing child care in different settings, to different age groups, and to special needs children. For example, providers charge more for infants and toddlers because they require more intensive care and a lower child-staff ratio. In many communities, certain types of care, such as family child care or informal care, may cost less than center-based care.

Without separate rates, parents do not have equal access or a real choice of providers. States should set rates that reflect the age of children and types of care, and allow providers to receive supplemental funds for special needs children. Parents receiving subsidies will not have equal access to child care if rates do not reflect the differing market rate costs related to age and types of care.

46 BEST COPY AVAILABLE

Allow Differential Rates for High Quality Care

States should consider setting higher rates for child care programs that provide enriched services or meet accreditation standards such as those of the National Association for the Education of Young Children. Such programs provide higher quality—for example, the 1995 study on center-based care, *Cost, Quality, and Child Outcomes in Child Care Centers*, found that centers that comply with additional standards beyond those required for licensing provide higher quality programs (Helburn et al., 1995).

The bottom line is that many low-income children can benefit significantly from enriched child care services. Rate structures should therefore encourage such services. States should also consider using differential rates to address particular shortages of child care. For example, providers that provide care during odd hours might be offered a higher reimbursement rate.

Consider the Impact of Paying Lower Rates for Unregulated Care

Some states are considering policies that would allow them to reimburse providers who are exempt from regulation at considerably lower rates than regulated providers. Proponents of such policies argue that they provide an incentive for providers to become regulated. The argument may be partly correct, but there is also a downside to this approach. If lower rates for exempt providers are combined with a policy to base co-payments on the cost of care (which discourages parents from using higher-cost, more formal care), more families will probably use exempt care because it is less expensive. In addition, regardless of parent fee structures, states might actively encourage parents to use this type of care because it saves the state money and stretches limited dollars further. Yet, as the next section makes clear, unregulated child care may be of lower quality, and the children most likely to be placed in such care are the most vulnerable children who particularly need enriched care.

Evaluate Policies Regarding Reimbursement for Part-Time Care

Currently, many states provide the equivalent of full-day reimbursement for less than a full day of child care services. Thus, even if a mother needs child care for only six hours, many states pay a provider for eight hours. This is important because the economic viability of a child care center or family child care home often depends on full enrollment. It is difficult for providers to find parents whose schedules mesh so that two part-time children can share one full-time slot. To make ends meet, most providers must establish fee and enrollment policies that encourage full-time care. Many child care providers establish limited part-day schedules that do not coincide with a state's reimbursement policies for part-day care. It is also common for providers to refuse to serve any children on a part-time basis.

Given these policies in child care programs, a state's decision to increase the number of hours that a family must use child care to trigger a full-time reimbursement rate (i.e., from six to eight), limits the range of providers from which parents can choose. This policy also makes it difficult for parents who depend on part-time work or training, or who are in school, to access the stable child care they need to become or remain employed.

Evaluate Reimbursement Policies for Absent Days

Young children often have illnesses that prevent them from attending child care. A state policy that limits reimbursements for absent days makes it difficult for providers to operate a program, since they must pay staff and keep the program open regardless of attendance. If a

community's child care programs expect to be reimbursed for absent days and the state fails to do so, providers may not be able to afford to serve subsidized children, which in turn restricts parents' choice of providers.

Take Steps To Improve The Quality And Expand The Supply Of Child Care

Creating enough child care slots to meet the demands generated by the Act's work requirements and time limits is essential to a successful welfare reform strategy. Advocates should build the case for ensuring that the supply of child care meets the growing demand in their communities, and that investments are made to ensure that this child care helps children grow and thrive.

Key Supply and Quality Issues

- ✓ Maximize funds to improve the quality and build the supply of child care.
- ✓ Expand the supply of child care and focus on specific needs generated by the Act.
- ✓ Improve the quality of child care.

Maximize Funds to Improve the Quality and Build the Supply of Child Care

The old CCDBG required each state to set aside 5 percent of its funds to improve the quality and expand the supply of child care. A portion of other CCDBG funds were also set aside to improve and expand early childhood and school-age programs. States currently spend approximately 15 percent of old CCDBG funds, or a total of slightly more than $150 million a year, on improving quality and building supply.

The new CCDBG requires states to spend a *minimum* of 4 percent of their total new CCDBG child care funds on quality and supply building activities (See Appendix G for a list of allocations by state). This number is calculated using four sources: a state's base or mandatory amount, the federal matching funds, the state matching funds, and the discretionary funds. In addition, if a state transfers funds from TANF to the CCDBG, a percent of these funds must be used for quality-building activities.

The 4 percent minimum for quality and supply activities is slightly less than the average amount that states spent on quality and supply in FY 1995. However, this will vary across states; in some states, 4 percent is more than current expenditures. Nothing prohibits states from spending more than 4 percent. Indeed, with the growth in demand for child care, it will be increasingly important to use additional funds on capacity or infrastructure building to ensure an adequate supply of safe, affordable child care.

One Year Bonus in FY 1997

Many states will have additional funds for supply and quality-building activities in FY 1997 because of the way that the funds are distributed under the new legislation, which means that states will have available some *one-time only* quality- and supply-building funds this fiscal year.[13] The uses of these funds are many, depending on a state's priorities, and may include: start-up grants to ensure that child care will be available in low-income neighborhoods; one-time only grants to centers, school-based programs, and family child care homes for equipment and supplies; grants to help family child care providers meet licensing or registration requirements; support for special training activities; and grants to resource and referral programs for supply-building activities.

Reallocated Funds

The Act's provisions concerning reallocation of funds offer another opportunity for one-time only funds to strengthen quality and expand supply (see page 12). Advocates should know whether their state has applied for reallocated funds, and work to ensure that some of these funds are invested in the activities discussed in this section.

CCDBG Set-Aside for Resource and Referral and School-Age Child Care

In previous years, funds were available for the Dependent Care Block Grant to support school-age child care and resource and referral initiatives. While Congress did not fund the Dependent Care Block Grant in FY 1996 or FY 1997, they did increase CCDBG by $20 million in FY 1997, and set-aside $19 million of the increase for school-age and resource and referral activities previously funded under the Dependent Care Block Grant. As states examine their quality improvement and supply building activities, they should factor in their share of the $19 million set-aside in the CCDBG (See Appendix H for these allocations by state).

Expand the Supply of Child Care

Capacity-building is a significant issue for policy makers anxious to see welfare reform succeed. States should thus keep in mind the special needs created by the welfare Act as states make decisions about investing in quality and supply. Many mothers may work odd hours and will need night or weekend child care. Teen parents must be in school or in an equivalent training program to receive TANF benefits. Therefore, creating more child care opportunities in high schools or even junior high schools in low-income communities may be important. School-age care is often in short supply in low-income neighborhoods, yet Congress encourages states to require parents with school-age children to meet the most stringent work requirements. Studies show a lack of infant care in most communities, yet some states require mothers with children as young as 12 weeks to meet work requirements.

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13 This is because states use their FY 1996 old CCDBG dollars in FY 1997 (which began on October 1, 1996). These dollars follow the old CCDBG rules and therefore include the amounts that states planned to spend for quality and supply activities under these rules (about 15 percent of the total or approximately $150 million). As of October 1, 1996, states will also have to spend a minimum of 4 percent of their *new* base amount and mandatory matching funds for quality activities in addition to the dollars spent under old CCDBG rules. The total of these two pots of money is likely to represent more funds for quality and supply than states will have when they calculate the percent of total funds in FY 1998.

Ensuring an adequate supply of child care is a challenging issue. Numerous studies have found serious shortages of child care in low-income communities, which often do not have an economic base to support adequate child care. These shortages will be compounded by the significant new demand for child care generated by the Act's stiff work requirements.

- A national study found, for example, that affluent counties had two to three times the supply of preschool programs per capita than low-income counties (Fuller and Liang, 1995).
- Similarly, a study of families receiving welfare in Illinois found that licensed care was not available in some relatively large areas in the state. Even in areas where care was available, the demand often exceeded the supply, most commonly in the poorest areas of the state (Siegel and Loman, 1991).
- In a 1995 GAO study, Michigan officials reported that their state had a shortage of infant and special needs child care in the inner cities and a shortage of all types of child care in rural areas. A suburban county child care specialist said the supply of child care providers could not handle the 3,000 new parents in the county who were required to participate in the state's welfare reform program (U.S. General Accounting Office, 1995).

The inadequate supply of child care is especially problematic because many low-income families lack private transportation and the funds necessary to use public transportation. In the Illinois study, about half of the families interviewed reported that transportation had been a problem for them. Transportation problems were frequently cited as a factor in parents' inability to work. (Siegel and Loman, 1991).

In addition to funding resource and referral programs, which can support many activities to expand the supply of child care and to provide consumer education, states should invest in initiatives to:

- ✓ Recruit and train new providers for infant care, school-age care, night-time care, weekend care, and special needs care.
- ✓ Assist previously unregulated providers to meet licensing or regulatory requirements for family child care.
- ✓ Provide grants or low-interest loans to help with the costs associated with starting new child care programs especially for infants and school-age children and children with special needs, and target funds for Head Start and prekindergarten programs seeking to expand their hours or months of operation.
- ✓ Explore ways to ease local zoning requirements so that family child care is considered a permissible use of property in residential neighborhoods.
- ✓ Provide funds to help child care centers and family child care providers in low-income neighborhoods make modest home improvements that will enable them to meet licensing or registration requirements.
- ✓ Offer incentives to caregivers who provide care during odd hours.

Build Supply for Teen Parents

Under the Act, teen parents must be enrolled in high school or an equivalent program, or must participate in an education program directly related to employment, if they are to get benefits. Consequently, states should invest in starting and operating child care centers in high schools or

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family child care networks near high schools to help teen parents. Study after study has identified child care as one of the most significant unmet needs of young parents. For example, a 1993 study of out-of-school teen parents receiving AFDC in Ohio found that the inability to find adequate child care was the most frequently mentioned explanation for their inability to attend school (Bloom et al., 1993).

Completing school is related to teens' ability to become independent and productive adults, and teen parents who stay in school are less likely to have repeat pregnancies. If teen mothers do not have access to reliable and affordable child care, they are likely to find it difficult return to high school, attend GED classes, or enroll in vocational training.

Encourage Full-Day, Full-Year Prekindergarten Programs

More than 30 states invest state dollars in prekindergarten programs, most of which operate on part-day, part-year schedules (Adams and Sandfort, 1994). A state that is expanding its prekindergarten program should consider offering new funding or other incentives to programs that are willing to operate on a full-day, full-year basis or that coordinate with child care programs. Or, funding priority could be given to programs that already operate on that basis. States could also require, as does Florida, that a certain percentage of its prekindergarten programs in every district be contracted to child care programs.

Help Head Start Meet Child Care Needs

States can make it possible for more working families to take advantage of Head Start's comprehensive services by targeting subsidy funds from the CCDBG for contracts to Head Start programs to help them extend their hours. Head Start programs should also explore the possibility of providing Head Start services in community child care centers and family child care homes that operate on a full-day, full-year basis (for more information, see CDF's *Working Together: Head Start Child Care Partnerships*).

This approach has numerous benefits. For example, Head Start can serve as a base of support and training to a network of family child care homes that can more readily serve infants and toddlers, it can help families obtain comprehensive services that often are not available in child care, and so forth. Head Start has also had over 30 years of experience in helping low-income parents move off welfare into paid employment. Many of these parents move into jobs in Head Start and other early care and education programs. States should utilize Head Start's experience in working with low-income parents to help other child care programs create mentoring and job opportunities for parents leaving TANF.

A word of caution: A thorough needs assessment of the community should be conducted before making major changes in the schedules of part-day programs. Some communities may have a continued need for high-quality, part-day early childhood development programs, especially low-income communities where many parents work at night and on weekends. They may need child care during their working hours, as well as part-day child care and early education options, rather than full-day care during the standard work week. In addition, if a state requires parents with children under six to work 20 hours a week, some parents may find that part-day Head Start or prekindergarten programs meet their needs. Head Start, child care, and prekindergarten programs should join forces to ensure that needs assessments reflect both the schedules of families and the local resources available.

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Consider the Effect of Changes in the Child and Adult Care Food Program (CACFP) on the Supply of Care

CACFP cuts will have a major impact on the supply of licensed or registered family child care providers. Reimbursement rates to providers who do not live in low-income neighborhoods or whose household incomes are above 185 percent of poverty ($23,600 for a family of three in 1996) will be drastically reduced. Experts believe that a large number of providers will not be able to pass on the increased costs of meals to parents. A significant number of providers may go out of business or go underground because CACFP is one of the major reasons that providers become licensed or regulated. Other providers might choose to simply drop out of CACFP and serve children less nutritious meals. It is critical that advocates monitor the impact of these cuts on the supply and quality of family child care in their communities to build a case for bolstering CACFP in the future and for additional child care supports.

Advocates should also coordinate their efforts to recruit child care providers in low-income neighborhoods with umbrella sponsors of the CACFP. Sponsors have access to special funds to recruit providers in low-income neighborhoods and can also use program administrative costs to help low-income providers with equipment and other fees related to licensing.

Improve the Quality of Child Care

Studies repeatedly show that good quality child care protects children's health and safety and prepares them to enter school ready to succeed. For example, the 1995 study *Cost, Quality, and Child Outcomes in Child Care Centers* (Helburn et al., 1995) found that children "in higher quality preschool classrooms display greater receptive language ability and pre-mathematics skills, have more advanced social skills than those in lower quality classrooms," and have better relationships with their teachers and more positive self-perceptions. The study also found that quality care has an even greater impact on "at-risk" children's language skills and self-perception.

Unfortunately, studies are also finding that many American children are in poor quality care:

- The *Cost, Quality* study also found that "child care at most centers in the United States is poor to mediocre, with almost half of the infants and toddlers in rooms having less than minimal quality."
- The national *Study of Children in Family Child Care and Relative Care* found equally alarming patterns in family child care programs, which tend to care for younger and more vulnerable children. The study rated one-third of the programs as inadequate, meaning that the quality was low enough to harm a child's development (Galinsky et al., 1994).

Improve Staff Training for Formal and Informal Caregivers

Research indicates that staff education and training are among the most critical elements in improving child care. For example:

- *The Family Child Care Training Study* (Galinsky, Howes, and Kontos, 1995) found that a training project for family child care providers resulted in improved experiences for children, significant improvements in the quality of care provided, and improved job commitment among providers.
- Nonetheless, 38 states do not require family child care providers to have *any* training (Morgan et al., 1993).

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Investments in training also ensure a supply of well-trained caregivers to work with the increasing number of children who need care. It is important to ensure that training opportunities are available to the range of providers caring for children, especially those caring for low-income children. (See section on exempt care for strategies for supporting informal providers.)

Fund Programs That Inform Parents About Good-Quality Child Care

Many parents need assistance in finding child care and the Act requires states to provide consumer information that promotes informed child care choices. Resource and referral agencies can help educate parents to identify high quality local child care programs. Resource and referral agencies also play an important role in improving the quality of care by helping to train child care providers and providing other essential supports to providers and parents.

Monitor Programs to Ensure Children's Safety

While parents must be the first line of defense in monitoring their children's care, the government plays an important role, too. Research shows that parents need help monitoring and evaluating the quality of care their children receive, because some factors are difficult for parents to observe and evaluate (Helburn et al, 1995). Most parents observe their children's programs only when they drop off and pick up their children.

- When state licensing staff periodically visit child care programs, children can be protected immediately from dangerous situations, and poor quality programs can be identified and improved. In fact, state licensing officials and providers have rated such visits as the most effective way to ensure compliance with state licensing requirements (U.S. General Accounting Office, 1992). Yet due to inadequate state investments in child care licensing, many states find it difficult to monitor regulated child care programs consistently.
- A U.S. General Accounting Office (GAO) study found that 20 states did not even conduct one unannounced visit per year to child care programs, which is the minimum recommended by child care experts (U.S. General Accounting Office, 1992).
- A study by the Inspector General of the U.S. Department of Health and Human Services found that average caseloads for licensing inspectors are twice the recommended level (Inspector General of the U.S. Department of Health and Human Services, 1990)

Strengthen and Maintain Health and Safety Protections

Many states, whose health and safety requirements do not meet levels recommended by experts, do not adequately protect children in care. A recent CDF study found that six states still do *not* require children in regulated family child care to be fully immunized. And nine states do not require centers to have any staff trained in basic first aid, as is recommended by the American Academy of Pediatrics.

To minimize accidents, reduce the incidence of illness, and save children's lives, states should require that children in child care are up-to-date on their immunizations, that poisonous substances are out of reach, that there are soft surfaces below climbing equipment, that caregivers are trained in basic first aid, and that safety plugs cover electrical outlets.

States must also avoid the temptation to lower existing child care standards. For example, despite strong evidence of the importance of teacher education and low numbers of children per staff member for children's development, Virginia has recently proposed to reduce its requirements

for child care teachers by eliminating even a high school diploma or a GED and to increase the number of four-year olds to 15 for a single caregiver.

Consider Initiatives to Help Child Care Centers and Family Child Care Homes Become Accredited

States should not only provide grants to help programs meet the initial costs of meeting accreditation criteria, they should also consider strategies such as differential rates for accredited programs which help to ensure that programs can afford the ongoing costs of accreditation or more enriched services.

Do Not Limit Families To Informal Child Care Options

Exempt care is child care that is not subject to state licensing or regulatory standards. Depending on the state, exempt care may include certain types of center-based care, some family child care providers (even those caring for as many as 8 to 12 children in some states), child care by relatives, and in-home care providers. While these providers are not regulated by the state, there are some minimal protections for those that receive subsidies. Under the new CCDBG, *all* providers (*including exempt providers*), except certain relatives who receive funds from this program, must meet minimum health and safety standards including prevention and control of infectious disease (including immunizations), building and physical premises safety, and minimum health and safety training.

An increasing number of policy makers see informal or "kinship" care as the best way to provide child care to families on or leaving TANF. This is especially true in states where welfare benefits are extremely low and formal child care costs significantly more than welfare. Without "cheap," informal care, they believe that many families leaving welfare will not be able to afford child care. However, policy makers do not consider the fact that many vulnerable children need enriched care to start school ready to learn.

Key Informal Care Issues

- ✓ Why informal care is an important option.
- ✓ What is known about exempt child care.
- ✓ Parents' need for a range of child care options.
- ✓ Ways to avoid policies that steer families into exempt care.
- ✓ Strategies to protect and support children in informal care.

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Why Informal Care is An Important Option

Exempt or informal care is an important source of child care for many families, especially those who work nonstandard hours or have very young children. Many mothers receiving AFDC or TANF benefits will find employment that involves evening and weekend work. Nearly one in five full-time workers—14.3 million—worked nonstandard hours in 1991. More than one in three—five million of them—were women (U.S. Department of Labor, Women's Bureau, 1995). This figure is even higher for low-income mothers. One-third of working-poor mothers with incomes below poverty and more than one-fourth of working-class mothers (incomes above the poverty line but below $25,000) worked weekends (Hofferth, 1995). *Informal care is often the only child care option available to these parents.*

Supporting community-based child care solutions in some cases makes sense as a community development strategy, *as long as such child care provides children with what they need to grow and thrive*. Depending on the caregiver, informal care also can have the advantage of being consistent with a child's culture and language. However, exempt care is not regulated by the state. As a result, even the most basic health and safety protections cannot be ensured. Even though states are required to establish minimal protections for exempt providers receiving public funds (except certain relatives), these protections are for the most part quite minimal.

What is Known About Exempt Care

While little research on the quality of exempt care exists, the research that does exist suggests that the quality is—like that of child care overall—problematic. Although many informal providers may provide good care, relatively little is known about them. Because of the lack of protections, there are also caregivers who endanger children. For example, background checks on informal caregivers in California found that 5 percent of the caregivers checked had criminal records. Sixty percent of those with records had child abuse convictions.

Research also shows that the quality of some exempt care is lower than that of regulated care, which means that children would be less likely to enter school ready to learn. For example, *The Study of Children in Family Child Care and Relative Care* found that home-based providers who were regulated were more likely to be rated as sensitive, were observed to be more responsive, and had higher scores for overall quality (Galinksy, 1994).

Informal care may also be less stable and reliable, thus jeopardizing parents' job performance. For example:

- *The National Child Care Survey* found that parents who used in-home care, compared with those who used formal, out-of-home care, reported a greater incidence of time lost from work because the provider was not available (Hofferth, et al., 1991).
- The Illinois study found that parents with informal child care arrangements were more likely to have child care problems that prevented them from working than were parents who used formal center-based care (Siegel and Loman, 1991).

Parents Need a Range of Child Care Options

Parents who wish or need to use informal child care must be ensured the opportunity to do so. However, policies that do not limit families' choices to informal arrangements are equally

important. While some parents prefer informal options, others do not want them or have access to them. Parents *must* be able to choose the options with which they are comfortable.

While some parents prefer informal care for their *younger* children, evidence indicates that parents tend to seek more formal options (such as center-based care) for three-and four-year-old children, believing that they offer more stability, greater learning opportunities, and increased child safety. Families that rely on arrangements made informally with friends and relatives often indicate that they wish they could change their care, and parents with older preschool children tend to be less satisfied with informal care:

- According to one study, parents using relative care are most likely to want to change their child care arrangements, while those using a child care center are least likely to want to change (Hofferth et al., 1991).
- Another study found that roughly one-third of the mothers interviewed wanted to have different child care arrangements for their children, most commonly because they wanted their children to learn more. About two-thirds of the mothers who wanted to change their arrangements wanted to move their children to child care centers (Kisker et al., 1989).
- In the Illinois study, 44 percent of the parents who were using some form of child care indicated a preference for child care centers, yet only 19 percent were using them (Siegel and Loman, 1991).

Also, one must not assume that low-income mothers have extensive support networks to turn to for informal care. Many AFDC families live in inadequate housing or are homeless.

- Based on interviews with 216 AFDC families headed by single mothers living in poor housing conditions in Worcester, Massachusetts, the interviewer found that the support network of these AFDC recipients was limited to five persons, including family members, partners and spouses, friends, and professionals (Bassuk et al., 1996).
- Interviews with 220 homeless AFDC families headed by single mothers living in shelters in Worcester, Massachusetts, found that the support network of the homeless mothers was even smaller than that of those on AFDC (Bassuk et al., 1996).
- Two out of three (67 percent) single parents surveyed in a study on AFDC recipients in Illinois reported that they had no one to turn to on a regular basis for informal care (Loman and Siegel, 1991).

Whatever support networks are available for informal child care may also diminish over time because of the five-year time limit on cash assistance. As residents of low-income communities (including relatives) lose their eligibility for welfare, they will seek employment. They will thus be unavailable to provide "free" care to friends and relatives. Neither will limited child care subsidy payments provide them with an income that covers their basic needs.

In addition, children on AFDC/TANF need good quality, enriched care to help them overcome the barriers of poverty. The children most likely to be enrolled in exempt care settings are those whose parents are receiving TANF benefits or who have just moved off TANF. These children need a good quality program the most. Furthermore, as states strive to meet work participation rates they must "reach deeper" into their welfare or TANF caseload. Research indicates that children in families having the most trouble entering the workforce may also have more acute physical or emotional problems which will require an enriched child care setting. (Siegel and Loman, 1991)

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- A 1991 study by Child Trends found that compared with non-AFDC children, nearly one-third more AFDC children suffer from delays in growth or development, a "significant" emotional or behavioral problem, or a learning disability. Children in AFDC families are three times more likely than non-poor children to be in poor health (Zill et al., 1991). These vulnerable children need high quality early childhood development programs so that they can enter school ready to succeed.
- A study on AFDC recipients in Illinois, the majority of whom neither worked nor went to school, found that families had to cope with a higher incidence of chronic illness and disabilities among their children. Single parents who have children that are chronically ill or have severe intellectual or physical disabilities require special attention and assistance (Siegel and Loman, 1991).
- Similarly, a recent study conducted jointly by the Better Homes Fund and the University of Massachusetts Medical Center focused on homeless and housed poor women and children receiving AFDC. These women are different in significant ways from the general population of women. For example, homeless and housed poor women are far more likely to have experienced physical and/or sexual abuse, and are more likely to suffer from physical and mental health problems. More than one in five women in the study suffered from chronic asthma, more than five times the number of asthmatic women under age forty-five in the general population. Furthermore, more than one-third of both homeless and housed women in the study had experienced Post Traumatic Stress Disorder, three times the level in the general population of women. Twice as many of these poor women (43-45 percent) had had a major depressive disorder. (Bassuk et al., 1996)

Given the problems mothers faced, it is clear that their children would benefit from enriched child care settings.

Avoid Policies That Steer Families Into Exempt Care

Advocates should be on guard for state efforts to conserve funds by adopting policies that limit parental choices and push families to use exempt care, such as:

- A variety of subsidy policies, such as paying child care subsidies to parents directly, lowering reimbursement rates (which makes it more difficult for formal caregivers to serve poor children), basing parent fees on the cost of care (see page 33), and not providing child care assistance to low-income parents.
- Expanding the range of providers who fall into the exempt care category. For example, a state that currently requires the regulation of all family child care providers caring for more than one child might change its policy to require only providers caring for more than three or four children to be regulated. While states would still be required to apply minimal health and safety protections to providers receiving funds, they could be significantly less than those applied to non-exempt providers. In addition, this would mean that significant numbers of children not receiving federal child care assistance would then be in unregulated care.
- Paying for child care with TANF funds, which do not have to meet the minimum health and safety standards required of programs funded out of CCDBG.

In considering state revenue, expanding the number of exempt child care providers has another downside. Because it is more difficult to track the incomes of child care providers who are exempt from regulation, expanding the number of exempt caregivers may increase the number of providers who do not pay taxes. This is compounded by the fact that such policies may actually put more formal caregivers, many of which may be community-based child care centers or neighborhood family child care homes, out of business.

Set Minimum Health and Safety Standards for Informal Providers

Minimum health and safety standards protect the well-being of children. The nation watched the rescue of Jessica McClure when she fell into an open well shaft in Texas. Her family child care provider was not regulated by the state of Texas. If her provider had been regulated, the state would have required the well shaft to be covered. A number of states have reached a consensus on the standards that provide baseline protections for children in exempt child care settings that receive public funds. Public and political will can be rallied to protect children in such settings.

The following standards should be considered:

- Providers must receive at least a modest amount of training to ensure that they are knowledgeable about basic health, safety, and child development issues. All training opportunities available to regulated caregivers should be available to legally exempt caregivers as well.
- Providers must show evidence of good health.
- The state should conduct a visit to assess compliance with state standards before funding, and follow-up inspections should take place periodically.
- The state agency responsible for funding subsidized child care must have proof of children's immunizations.
- Caregivers must be at least 18 years old.
- Providers must agree to a criminal background check and child abuse registry check.
- Firearms must be locked and inaccessible.
- Caregivers must adhere to basic health and safety practices, such as keeping poisonous substances out of the reach of children and having smoke detectors in place and fire extinguishers available.
- Children must be offered nutritious meals and snacks.
- No corporal punishment may be inflicted.

The Child Care Law Center has recently published *Regulation-Exempt Family Child Care in the Context of Publicly Subsidized Child Care—An Exploratory Study*. It recommends other requirements including the following:

- States should check that providers who are exempt from regulation have not been determined unfit to provide regulated care to children.
- Caregivers should have a medical authorization form from a parent in case of a medical emergency.
- Caregivers should receive a list of guidelines on how to "child-proof" their homes.

- Caregivers should receive instructions as to when hand-washing is required (for example before and after diapering, and before preparing food).
- Smoking should be banned, or at a minimum parents should be informed whether the provider or anyone else in the residence is a smoker.
- Caregivers should have an operable telephone with emergency numbers posted, including the parents' telephone numbers.
- Unlimited parental access should be ensured.
- Parents and caregivers should sign a checklist indicating compliance with state funding requirements, and parents and caregivers should receive copies of all funding requirements that the provider is to follow.
- Caregivers should receive information on other relevant laws affecting anyone caring for children, such as child abuse reporting laws.

Provide Support to Informal Providers

Another important way to protect children in informal care is to support strategies that offer more intensive support to exempt child care providers and relatives. Many parents who work odd hours are likely to choose family child care providers who are exempt from licensing or regulation, friends who come into their home, or relative care. As a result, it is important to consider basic health and safety standards to apply to exempt providers, as well as new approaches for reaching exempt providers who care for potentially vulnerable children. For example:

- Programs offering family support and parent education might be expanded to reach exempt child care providers.
- Home visits originally designed for parents participating in parent education programs could be adapted so that home visitors offer training and support to exempt providers.
- Head Start programs could reach out to informal providers through their home-based model, which includes frequent visits to parents combined with a group experience for children. A Pennsylvania Head Start program is now providing extended day care for three and four-year-olds using CCDBG funds. The program's home visiting staff then provides support to informal providers who are caring for these children's younger siblings. Head Start could also consider providing support to informal providers who care for children after they participate in a part-day Head Start program.
- States could consider outreach to parents of three-and four-year-olds who are using informal care to inform them about the availability of Head Start and prekindergarten programs.
- Resource and referral programs or larger child care agencies could consider new approaches to reaching exempt providers. A resource and referral program in rural North Carolina regularly brings together informal caregivers in their isolated county, offering support to providers while giving children an opportunity to interact in a more structured setting. Informal caregivers can also be linked to family resource centers and family literacy programs that can offer similar support.
- Programs operated by resource and referral or other community agencies that offer resources such as mobile vans which bring toys and books to regulated family child care providers could serve informal providers as well.

- States and Child and Adult Care Food Program sponsors could work together to help informal caregivers who receive CCDBG funds participate in CACFP. Exempt or informal caregivers will be more likely to participate in CACFP if they are allowed to meet state CCDBG standards for exempt providers rather than state licensing standards which may be more rigorous. States such as Kentucky, California, and New York allow exempt caregivers to participate in CACFP if they receive CCDBG or public child care funds and meet the standards for these funding streams. This would ensure that the children would receive the benefits of nutritious meals and snacks and providers would receive the valuable training and support available through CACFP. States should also consider notifying all providers receiving CCDBG funds about CACFP and telling them how to participate.
- States could ensure that eligible children in informal care and other children receiving CCDBG funds participate in the federal EPSDT and Medicaid program.[14]

14. For more information contact Donna Cohen Ross and the Center on Budget and Policy Priorities (202) 408-1080.

Appendix A:

Checklist for Advocates

This checklist briefly summarizes the range of issues that advocates must address as their states implement the new Child Care and Development Block Grant and the TANF Block Grant. Remember to focus all child care decisions on two goals--1) child development to ensure that children enter school ready to succeed; and 2)workforce development to ensure that parents can find and retain jobs.

✓ Ensure That New Child Care Funds Are Available and Resources Are Well Targeted

- Ensure that states provide the matching funds necessary to qualify for new mandatory federal child care funds and that they maintain their prior year's child care spending.
- Ensure that any funds spent on the child care disregard are transferred from the TANF Block Grant to the CCDBG.
- Leverage private sector funds for child care subsidies to support low-income working families and to strengthen the child care services.
- Ensure that Head Start and prekindergarten slots are factored into any analysis of the resources available for early care and education, and target some CCDBG dollars to extend their hours of operation and encourage collaboration with child care providers.

✓ Follow TANF-Related Provisions That Affect Child Care

- What are your state's work requirements for FY 1997? Be aware of the caseload reduction credit that may reduce the work requirements for your state.
- Does your state have a waiver? If so, find out what provisions affect child care.
- Find out if your state's welfare caseload has decreased. If so, consider transferring TANF funds to CCDBG, transferring child care disregard funds to CCDBG, and not using funds for child care without transferring them first to the CCDBG.

✓ Select TANF Options That Reduce the Demand for Child Care

- Opt out of the two-month community service requirement.
- Reduce the number of parents subject to work requirements by exempting mothers with children under age one.
- Create minimum requirements for work activities for parents who receive TANF benefits after two years.
- Limit the hours that parents with children under six must work to twenty hours a week.

✓ Be Involved in Planning for CCDBG and TANF

- Be involved in any planning efforts (such as task forces or commissions) for TANF implementation.
- Establish a broad-based state advisory group to help develop a state plan for the CCDBG:
- Include advocates, parents, providers, and others involved in early care and education, and family support.
- Be sure to include Head Start and prekindergarten program representatives.
- Work with the state legislature.
- Be involved in public hearings.

✓ Make Sure Quality and Supply Decisions Relate to TANF-Generated Needs

- Use funds in the early years to create the services needed to meet the new child care demand and serve low-income working families.
- Focus supply-building activities on the needs generated by the TANF Block Grant such as creating more child care options for teen parents, more odd-hour child care options, more infant and school-age options, and more child care providers in low-income communities.
- Spend more than the required minimum 4 percent of total child care funds on activities to improve the quality and expand the supply of child care.
- Develop creative approaches to supporting informal caregivers.
- Make resource and referral programs available to help families find child care, offer consumer education, and support the development of a community child care system that offers parents a range of choices.

✓ Make Child Care Help Available to a Range of Families

- Make sufficient levels of funding available to ensure that child care assistance is available to families on AFDC and low-income working families.
- Make sure that child care assistance is available to children in foster care and in need of protective services, and to parents enrolled in education or training programs.
- Ensure that parents receiving TANF benefits with children under age 11 are not penalized for failure to meet work requirements if they cannot find appropriate, affordable, safe child care.
- Make child care assistance available to children up to age 13.

✓ Structure Payment Systems to Ensure Choice, Quality, and Stability

- Use a mix of guaranteed contracts and certificates.
- Encourage your state to pay providers rather than pay parents directly.
- If parents are reimbursed directly, offer prospective payment or reimburse them quickly.
- Provide contracts for early childhood and school-age activities.

- Eliminate the child care disregard for families receiving TANF benefits.

✓ Ensure That Sliding Fee Scales Make Child Care Affordable

- Be alert for high co-payments for very poor families.
- Be wary of basing co-payments on the cost of care.
- Be wary of policies that allow providers to charge parents additional fees.
- Be alert for fee scales that penalize families for work or increased earnings.

✓ Ensure That Reimbursement Rates Allow Parental Choice

- Maintain rates at the 75th percentile of the market.
- Maintain separate rates for different types of care and different ages of children.
- Set differential rates for high quality care and odd-hour care.
- Avoid policies that limit parental choice.
- Think carefully about the impact of paying lower rates for unregulated care.

✓ Ensure That States Do Not Limit Families to Informal Care Options

- Offer parents a range of child care options.
- Be aware of policies that steer families toward exempt care.
- Use strategies to protect and support children in informal care.
- Implement health and safety protections for exempt care.
- Offer intensive support to exempt child care providers.

✓ Ensure That States Do Not Dilute Licensing or Regulatory Policies

- Do not increase the number of providers that are exempt from meeting basic health and safety requirements.
- Do not weaken licensing or regulatory policies.

Appendix B:

New Child Care and Development Block Grant Provisions Included in P.L. 104-193, The Personal Responsibility and Work Opportunity Act of 1996

Funding

The Act eliminates several federal child care programs, specifically the "Title IV-A" child care programs which include: AFDC child care (for AFDC recipients in work or work-related activities), Transitional Child Care (which provided up to one year of child care assistance for families leaving AFDC due to employment), and the At-Risk Program (child care assistance for families at risk of becoming dependent on AFDC). It also eliminates the entitlement or guarantee of child care assistance for families participating in welfare work activities or making the transition off welfare. States may, however, choose to continue this guarantee.

Replacing the latter programs and the old Child Care and Development Block Grant is the new Child Care and Development Block Grant (or Child Care and Development Fund), which has two components—a capped entitlement portion and a discretionary portion. Total funding is $22 billion over seven years.

Discretionary Funding

The discretionary portion of the new CCDBG is equal to $1 billion a year for each of the next seven years. [The old CCDBG was a discretionary program that was funded at approximately $950 million.] Funds must be appropriated each year by Congress. The amount of funds that states will receive is determined by the old CCDBG formula that includes the number of children younger than age 5 in the state, the number of children receiving free and reduced-price lunch, and the state per capita income. States are not required to provide matching funds to receive these federal funds. There is no maintenance of effort provision for the discretionary funds.

Capped Entitlement Funding

The capped entitlement funds are automatically available to states each year. There are two parts to the capped entitlement portion of the Block Grant—a base funding amount (mandatory funds) and funds above the base that require a state match (matching funds). State allocations for the base amount or mandatory portion of the block grant are based upon either their FY 1994 or FY 1995 funds, or the average of FY 1992-1994, whichever is higher, for AFDC child care, Transitional Child Care, and the At-Risk Program. This source of funds will provide states with approximately $1.2 billion a year for child care for the next six years. States wishing no new child care funds can claim this base amount without maintaining their prior child care spending.

Funds *above* the base funding amount will be allocated based upon the number of children under 13 in each state. This source of funds is approximately $700 million in FY 1997. These funds are divided into two portions: federal matching funds are the amount of federal funds above the base amount that states can receive, and state matching funds are the amount that states must expend or match to draw down the new federal matching dollars. To claim any of their share of the $700 million

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funds above their base funding amount, states must maintain 100 percent of their prior non-federal child care expenditures under the Title IV-A programs *and* put up a state match at their FY 95 Medicaid matching rate.

Redistribution

States must obligate their funds in the fiscal year that they receive them or in the succeeding fiscal year. If a state does not use its full portion of funds, the money can be redistributed to other states. The Secretary of HHS must determine whether states will use their entire portion of funds no later than the end of the first quarter of the subsequent fiscal year. States' share of the redistributed funds will be allocated based on the number of children under age 13 in the state as a percentage of all children under age 13 in all states applying for the redistributed funds.

Funds from TANF

No funds may be transferred from the CCDBG to any other block grant. However, 30 percent of the TANF Block Grant can be transferred to the CCDBG and the Title XX Social Services Block Grant. (No more than one-third of total funds can be moved to Title XX from the TANF Block Grant. These funds must be used for children and families with incomes under 200 percent of poverty.) Funds transferred from TANF to CCDBG will fall under the rules and regulations of CCDBG. The transfer is done each year, and is not irrevocable. States may transfer funds back to TANF if circumstances change and they need TANF dollars to provide other assistance to families. States may also use TANF funding that is not transferred to CCDBG for child care for eligible families. If TANF funds that are not transferred to CCDBG are allocated for child care, it appears that families receiving these funds will be seen as receiving TANF and therefore be subject to the lifetime time limit for TANF benefits.

Cut in the Title XX Social Services Block Grant

The Title XX Social Services Block Grant, which at least 33 states use to fund child care, is cut by 15 percent. Congress restored $120 million of this $420 million cut for FY 1997 only.

Effective Dates

The capped entitlement funding is implemented October 1, 1996, and the discretionary funding is implemented on the date of enactment. States must submit a plan to HHS by July 1, 1997 for the implementation of the new CCDBG.

State Planning and Lead Agency

The Governor is responsible for selecting a lead agency to administer all child care funds received under the Act. (The Act says it should be the agency which administered the old CCDBG.) States can contract with a governmental or non-governmental agency to administer the funds.

States must develop a state plan for the funds. In conjunction with the development of the plan, the lead agency must hold at least one hearing in the state to provide the public an opportunity to comment on the provisions of the plan. States must ensure that "sufficient time and statewide distribution of the notice" be given of the public hearing on the development of a state plan.

Administrative Costs

Administrative costs are limited to 5 percent but a range of services is defined as *non-administrative*, which means they are not counted in the 5 percent. Non-administrative functions include: eligibility determination and/or redetermination, preparation and participation in judicial hearings, child care placement, recruitment, licensing, inspections, reviews and supervision of child care placements, rate setting, resource and referral services, training, and the establishment and maintenance of computerized child care information.

Families Eligible for Child Care Assistance

Families who earn up to 85 percent of the state median income are eligible for child care assistance with these funds. The old CCDBG limited eligibility to 75 percent of state median income.

Seventy percent of the capped entitlement funds are targeted for families receiving assistance under TANF, those attempting through work activities to move off assistance, and families at risk of becoming dependent on TANF. States are required to use a substantial portion of remaining capped entitlement funds and discretionary funds to serve low-income working families other than those described above.

Both spouses in a two-parent family must work to receive child care assistance except for disabled parents and parents of severely disabled children. The second parent must only work a minimum of 20 hours per week.

Health and Safety/Licensing Requirements

States must certify that the health and safety protections included in the CCDBG enacted in 1990 are retained. Under the old CCDBG, states had to provide assurances that these protections were in place. All providers (except certain relatives including grandparents, great grandparents, aunts, uncles, and siblings—if the sibling lives in a separate residence) who receive new CCDBG funds must meet minimum health and safety standards in the prevention and control of infectious diseases (including immunizations), building and physical premises, safety, and minimum health and safety training. Providers must also comply with applicable state or local health and safety requirements. Parents must also have unlimited access to child care programs.

States must certify that they have licensing requirements applicable to child care services provided in the state, and provide a detailed description of the requirements and methods of enforcement. The licensing requirement is not to be construed as applying to specific types of providers of child care services.

Elimination of Required Reporting on Standards

The Act eliminates three old CCDBG requirements: (a) that the state inform HHS of a decision to reduce the level of standards applicable to its child care services on the date of enactment of CCDBG; (b) that states submit annual reports that describe the standards and health and safety requirements for child care providers, as well as efforts to improve the quality of child care; and (c) that states provide an explanation of any state action taken to reduce the level of child care standards.

Higher Standards for CCDBG Providers

The Act eliminates an old CCDBG provision that allowed states to impose more stringent standards and licensing or regulatory requirements on providers receiving CCDBG assistance than on

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other child care providers. The Conference Report for the new legislation states that "nothing in the legislation either prohibits or requires states to differentiate between federally subsidized child care and nonsubsidized child care regarding the application of specific standards and regulations."

Registrations Requirements

Under the old CCDBG, providers not required to be licensed or regulated under state or local law had to be registered before CCDBG payment, in accordance with procedures designated to facilitate payment and permit the furnishing of information on the availability of health and safety training, technical assistance, and other relevant information. This registration requirement is eliminated.

Quality and Supply

A minimum of 4 percent of discretionary and capped entitlement funding is set aside for improving quality, expanding supply, and providing consumer education. This replaces a 25 percent set-aside in the old CCDBG which included 18.75 percent for early childhood development and before- and after-school activities, 5 percent for quality activities, and 1.25 percent for either.

Consumer Education

States must collect and distribute consumer information that will promote informed child care choices.

Payment Mechanisms

States must offer parents the choice of a certificate or a contract for any child care services under CCDBG.

Payment Rates

States no longer must conduct a market rate survey at least on a biennial basis. They also no longer have to set child care rates based on the market rate. The legislation does require that state plans ensure that payment rates will be adequate to provide eligible children with equal access to child care services that compare to those provided to children whose parents are not eligible for child care assistance. A summary of the facts relied upon by the state to determine that such payment rates are sufficient to ensure equal access must be included in the state plan.

The Act eliminates the old CCDBG requirement that CCDBG payment rates take into account the variations in the costs of providing child care in different settings and to children in different age groups as well as the additional costs of providing child care for children with special needs.

Maintenance of Effort Related to Discretionary Funds

The Act repeals a requirement that a state provide assurances that funds received under CCDBG be used only to supplement, not to supplant the amount of federal, state and local funds otherwise expended for support of child care services and related programs in the states. However, one should keep in mind that if non-federal spending for child care falls below the higher of the FY 94 or FY 95 spending level used to match federal funding for Title IV-A child care, the state can not receive funds above this amount.

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Maintenance of Effort Related to TANF

To receive a full TANF Block Grant, the state is required to maintain at least 80 percent of its FY 94 non-federal spending for certain allowable purposes. (The required amount is reduced to 75 percent if the state satisfies the Act's work participation rate requirements.) Some non-federal expenditures for child care can count toward the maintenance of effort requirements:

- The state may count non-federal expenditures for child care up to the level of expenditure that had constituted the state match for receiving a state's FY 94 or FY 95 federal funding, whichever is higher, for Title IV-A Child Care.
- The state may also count non-federal expenditures for child care above the FY 94 or FY 95 level, but only if those expenditures are not also used for the match to draw down remainder funds.

Administration and Enforcement

Under the old CCDBG, if a state was found to have failed to comply substantially with CCDBG requirements, the Secretary of HHS had the authority to terminate CCDBG payments to a state, in whole or in part, until such time as the failure to comply or noncompliance has been corrected. Under the Act, this language is deleted. Instead, the Secretary is authorized to require reimbursement of funds improperly expended, and to deduct from the administrative portion of the state allotment for the next year an amount equal to or less than the amount of improperly expended funds, or a combination of such options.

Reporting Requirements

States must report on a broad range of characteristics of individuals receiving child care assistance, including:

- Family income.
- County of residence.
- Gender, race, and age of children receiving such assistance.
- Single parent families.
- Sources of family income, including the amount obtained from (separately identified):
  - Employment, including self employment.
  - Cash or other assistance under Part A of Title IV of the Social Security Act.
  - Housing assistance.
  - Assistance under the Food Stamp Act of 1977.
  - Other assistance programs.
- The number of months the family has received benefits.
- The type of child care in which the child was enrolled (such as family child care, home care, or center-based child care).
- Whether the child care provider involved was a relative.
- The cost of child care for such families.

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- The average hours per week of such care, during the period for which such information is required to be submitted.

Tribal and Territorial Provisions

No less than one percent and not more than 2 percent of the total amount of child care funds (both capped entitlement and discretionary) are reserved for Native American tribes and tribal organizations. Previously, Tribes received 3 percent of CCDBG funds and did not receive any Title IV-A funds (JOBS, TCC, or At-Risk Child Care).

Tribes are allowed to use CCDBG funds to renovate and construct facilities if such facilities are not available, as long as construction or renovation activities do not result in a decrease in child care services.

In lieu of any licensing or regulatory requirements applicable under state and local law, the Secretary of HHS is required to develop, in consultation with Native American tribes and tribal organizations, minimum child care standards applicable to tribes and tribal organizations receiving CCDBG assistance. They must appropriately reflect tribal needs and available resources.

Five percent of discretionary funds are reserved for the territories including Guam, American Samoa, the U.S. Virgin Islands, and the Northern Marianas.

Related Provisions in the Temporary Assistance for Needy Families (TANF) Block Grant

The work-related provision in TANF will significantly expand the need for child care assistance. Work participation requirements for families receiving TANF funds are phased in over seven years as follows:

FY 1997.....25 percent
FY 1998.....30 percent
FY 1999.....35 percent
FY 2000.....40 percent
FY 2001.....45 percent
FY 2002.....50 percent

In contrast, the 1995 federal law *only* required a 20 percent participation rate with a significant number of exemptions.

Parents are required to work 20 hours a week through FY 1998, 25 hours by FY 1999, and 30 hours by FY 2000.

A separate participation rate for two-parent families begins at 75 percent in FY 1997, reaching 90 percent in FY 1999.

For TANF recipients to count toward the state's work participation rate, individuals must be engaged in an allowable "work activity." These include unsubsidized employment, subsidized private sector employment, on the job training, job search and job readiness assistance, vocational education (not to exceed 12 months), education-related employment (if one does not have a high school diploma or a high school equivalency certificate), satisfactory attendance at a secondary school, or the provision of child care services to individuals participating in a community service program.

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Families have a five-year time limit for TANF benefits. States can set lower time limits. States can also choose to exempt some of their caseload from work requirements.

States have the option of allowing mothers with children under six to work only 20 hours a week.

Parents or caretakers receiving TANF assistance must be engaged in work, as defined by the state, not later than the point at which the parent or caretaker has received TANF assistance for 24 months or two years.

States, unless they choose not to, must require parents or caretakers receiving TANF assistance, who are not exempt or not engaged in work, to participate in community service after having received assistance after two months.

States are allowed to exempt mothers with children under age one from work requirements. These mothers may be excluded in calculating the participation rates only one time, and are still subject to the five-year time limit for welfare benefits.

The Act includes a Sense of Congress that encourages each state to assign the highest priority to adults in two-parent families and adults in single parent families that include older preschool or school-age children, requiring them to be engaged in work activities.

States are prohibited from withholding or reducing assistance to a single parent with children under six who does not meet work requirements for one or more of the following reasons:

- Unavailability of appropriate child care within a reasonable distance from the individual's home or work site.
- Unavailability or unsuitability of informal child care by a relative or other providers.
- Unavailability of appropriate and affordable formal child care arrangements.

If the Secretary determines that a state has violated this provision, he or she shall reduce the grant payable to the state for the immediately succeeding fiscal year by an amount equal to but not more than 5 percent of the state family assistance grant. Again, states may not disregard these parents when calculating work participation rates. These mothers are still subject to the five-year time limit.

Hours that parents spend providing child care for other welfare families count as hours toward the fulfillment of work requirements.

Child and Adult Care Food Program (CACFP)

The Act maintains the Child and Adult Care Food Program (CACFP) as an entitlement. Before the welfare Act, all family child care providers received a single rate for all the children they served and did not have to conduct a means test. Rates were not based on family income. However, the plan creates a means test for certain family child care homes. Two groups of family child care providers would not have to conduct a means test and would continue to receive their current reimbursement for meals and would be called Tier I providers. These include all homes located within a low-income geographic area (defined as having at least 50 percent of families with incomes under 185 percent of poverty). In addition, homes located outside the designated areas which are operated by a provider who is low-income (with family incomes under 185 percent of the poverty level) will continue to receive the current meal reimbursement or the Tier I reimbursement.

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Homes that do not meet either of these criteria are called Tier II providers and have two choices. First, they can implement a means test and receive full reimbursement (equivalent to Tier I) for children that have an income below 185 percent of the poverty level, and receive significantly reduced rates for children from families with higher incomes. Second, they could choose not to implement a means test and receive the reduced rate for all their children. All homes in Tier II that choose not to implement a means test would receive *significantly* reduced reimbursements for all meals served. Tier II rates for providers outside designated census tracts who are not low-income are $.95 for lunch, $.27 for breakfast, and $.13 for a snack.

Existing Rates for Family Child Care Providers	New Rates for Tier II Providers
Breakfast	Breakfast
$0.8625	$0.27
Lunch	Lunch
$1.5750	$0.95
Snack	Snack
$0.4700	$0.13

In addition, the Act has the following CACFP provisions:

- Provides $5 million in one-time only funds to states for grants to help implement the CACFP means test. Grants can be used for securing and providing training, materials, and automated data processing.
- Includes a requirement for a study of the impact of the amendments on program participation and family child care home licensing.
- Lowers inflation adjustments for all family child care homes because the reimbursement factor for homes will reflect changes in the consumer price index for *food at home* instead of *food away from home.*
- Eliminates the fourth meal option of serving an additional meal or snack to children who are in child care centers for more than eight hours.
- Eliminates requirements for USDA and the state CACFP agencies to continue outreach efforts.
- Eliminates a provision concerning the coordination of preschool programs, which brings information about WIC to parents of low-income children enrolled in child care centers participating in CACFP.
- Removes the requirement to provide an advance payment system for family child care homes and sponsoring organizations though states do have the option to use such a system. Advance payments are critical because sponsors and family child care providers have limited financial capabilities.
- Removes the stipulation that meals shall be served free to needy children.
- Implements the means test provisions on July 1, 1997, and implemented the remaining provisions when the President signed the bill.

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Appendix C:

State-By-State Data on the Age of Children Receiving AFDC (October 1993-September 1994)

	Total AFDC Children (FY 1994)	Younger Than 1 Year (%)	Ages 0-5 (%)	Ages 6-12 (%)
U.S. TOTAL	9,753,365	5.7	45.9	36.1
Alabama	96,008	6.1	45.4	35.4
Alaska	24,754	3.4	43.5	38.8
Arizona	143,968	6.5	47.8	36.5
Arkansas	49,593	6.1	46.6	36.3
California	1,855,695	6.6	47.2	35.4
Colorado	82,058	5.6	45.6	38.7
Connecticut	111,825	6.4	44.2	37.9
Delaware	21,873	7.8	46.4	37.3
Dist. Of Col.	51,267	5.5	51.1	30.8
Florida	461,670	7.6	47.2	36.2
Georgia	271,057	6.8	47.0	35.8
Guam	4,839	6.7	54.3	33.3
Hawaii	41,756	7.5	44.6	35.8
Idaho	16,291	5.8	47.5	35.6
Illinois	493,062	8.8	47.3	34.6
Indiana	137,309	6.3	46.2	35.7
Iowa	72,092	7.6	48.9	34.8
Kansas	59,946	8.2	47.9	36.9
Kentucky	139,564	6.6	42.4	36.4
Louisiana	179,904	5.8	44.9	36.0
Maine	42,862	5.7	38.6	43.5
Maryland	150,411	2.0	42.4	37.5
Massachusetts	214,675	4.7	46.5	37.1
Michigan	441,930	13.8	52.9	28.9
Minnesota	123,287	6.2	44.6	38.1
Mississippi	118,363	6.6	45.1	35.4

	Total AFDC Children (FY 1994)	Younger Than 1 Year (%)	Ages 0-5 (%)	Ages 6-12 (%)
Missouri	173,710	7.3	46.9	36.6
Montana	22,069	5.6	42.4	38.1
Nebraska	30,785	9.0	50.9	34.8
Nevada	25,741	9.6	50.1	36.1
New Hampshire	19,257	4.5	48.1	36.8
New Jersey	229,513	3.9	44.6	36.1
New Mexico	64,646	6.4	42.6	39.7
New York	838,233	0.1	44.3	35.8
North Carolina	235,423	7.6	49.3	34.1
North Dakota	11,189	6.1	47.1	36.2
Ohio	454,549	7.3	45.7	36.0
Oklahoma	92,490	5.5	44.4	37.3
Oregon	77,208	8.1	47.1	35.3
Pennsylvania	418,477	5.8	43.8	37.6
Puerto Rico	126,127	1.0	29.5	42.7
Rhode Island	42,781	5.7	45.4	37.1
South Carolina	101,174	4.8	45.3	36.0
South Dakota	13,806	8.3	47.4	35.2
Tennessee	203,071	6.9	44.6	37.1
Texas	553,121	8.3	47.5	35.6
Utah	32,635	5.0	45.2	34.8
Vermont	15,930	5.7	46.1	36.9
Virgin Islands	2,943	1.7	33.6	48.0
Virginia	132,493	7.8	47.2	35.6
Washington	186,929	5.3	44.7	37.2
West Virginia	71,681	4.9	42.8	37.4
Wisconsin	161,086	7.1	48.6	35.2
Wyoming	10,238	7.4	43.5	41.9

Source: U.S. Department of Health and Human Services, August 11, 1995

Appendix D:
State Allocations of New CCDBG Funds

The following table indicates the estimated state funding levels under the Child Care and Development Block Grant (or Child Care and Development Fund) for FY 1997. (Note that at a minimum, each state will get the funding amounts listed in the first and last columns.)

- The "Mandatory Funds" column shows the capped entitlement funds that each state automatically receives. This amount is equal to the IV-A child care expenditures (JOBS, TCC, and At-Risk) for FY 1994 or 1995, *or* the average of FY 1992-1994, whichever is greater.
- The "State Share Requirement" or Maintenance of Effort (MOE) column shows a preliminary calculation of the amount of funds that states must maintain or continue to spend to draw down any *new* capped entitlement funds above their base allotment.
- The "Matching Funds" column shows the amount of *federal* matching funds or new capped entitlement dollars above their base year amount that every state can receive *if* they maintain their current effort (as shown in the preceding column) and put up an additional state match (as shown in the following column).
- The "State Share of Matching Funds" column shows the *state* matching funds required to draw down the states' full share of new capped entitlement funds. The matching funds are based on the state's Medicaid matching rate.
- The "Discretionary Funds" column shows the dollars that each state will receive from the discretionary portion of the block grant. This amount is equivalent to the old CCDBG dollars.

Appendix D: Estimated FY 1997 State Allocations For The Child Care And Development Block Grant

State	Mandatory Funds[1]	State Share Requirements (MOE)[2]	Matching Funds[3]	State Share of Matching Funds[4]	Discretionary Funds[5]	Total
Alabama	$ 16,441,707	$ 6,896,415	$ 11,097,223	$ 4,654,690	$ 20,236,065	$ 59,326,100
Alaska	3,544,811	3,544,811	2,028,753	2,028,753	1,906,673	13,053,801
Arizona	19,890,997	10,065,324	12,763,447	6,458,612	18,512,030	67,690,410
Arkansas	5,300,283	1,886,541	6,627,908	2,359,086	11,896,059	28,069,877
California	92,945,658	92,945,659	96,164,172	96,164,172	120,466,746	498,686,407
Colorado	$ 10,173,800	$ 8,985,899	$ 10,285,029	$ 9,084,141	$ 11,059,692	$ 49,588,561
Connecticut	18,738,357	18,738,357	8,559,338	8,559,338	7,224,585	61,819,975
Delaware	5,179,351	5,179,351	1,900,182	1,900,182	2,111,607	16,270,673
D.C.	4,720,514	4,720,514	1,286,615	1,286,615	1,979,409	13,993,667
Florida	43,026,524	33,424,300	35,964,991	27,938,689	50,046,337	190,400,841
Georgia	$ 36,522,787	$ 22,167,213	$ 20,202,308	$ 12,261,629	$ 32,157,871	$ 123,311,808
Hawaii	5,220,634	5,220,634	3,323,894	3,323,894	3,662,385	20,751,441
Idaho	2,867,578	1,175,819	3,492,470	1,486,814	5,133,856	14,156,537
Illinois	59,609,473	59,609,473	33,025,568	33,025,568	37,705,575	222,975,657
Indiana	26,181,999	15,356,949	15,294,176	8,970,739	18,065,411	83,869,274
Iowa	$ 8,877,745	$ 5,299,427	$ 7,298,922	$ 4,356,974	$ 9,229,278	$ 35,062,346
Kansas	9,811,668	6,672,989	7,151,279	4,990,112	8,898,861	37,524,909
Kentucky	16,701,803	7,274,356	9,863,568	4,312,299	17,942,749	56,094,775
Louisiana	13,864,552	5,219,484	12,714,858	4,786,667	26,680,153	63,265,714
Maine	3,137,105	1,928,151	3,116,236	1,806,728	3,873,126	13,861,346

State	Mandatory Funds[1]	State Share Requirements (MOE)[2]	Matching Funds[3]	State Share of Matching Funds[4]	Discretionary Funds[5]	Total
Maryland	$ 23,301,407	$ 23,301,407	$ 13,667,019	$ 13,667,019	$ 13,203,338	$ 87,140,190
Massachusetts	44,973,373	44,973,373	15,376,582	15,376,582	14,395,116	135,095,026
Michigan	32,081,922	24,360,587	26,216,778	19,907,040	29,217,891	131,784,218
Minnesota	23,367,543	19,690,395	12,863,121	10,838,963	13,483,420	80,243,442
Mississippi	6,293,116	1,715,431	7,756,796	2,114,413	17,359,322	35,239,078
Missouri	$ 24,668,568	$ 16,548,755	$ 14,257,605	$ 9,564,625	$ 18,227,212	$ 83,266,765
Montana	3,190,691	1,315,298	2,371,213	977,485	3,212,536	11,067,223
Nebraska	11,338,103	6,955,059	4,539,602	2,976,295	5,536,815	31,345,874
Nevada	2,580,422	2,580,422	4,298,070	4,298,070	4,133,817	17,890,801
New Hampshire	5,051,606	5,051,606	3,102,286	3,102,286	2,566,956	18,874,740
New Jersey	$ 31,662,653	$ 31,662,653	$ 20,975,405	$ 20,975,405	$ 18,639,612	$ 123,915,728
New Mexico	8,702,694	3,034,328	5,213,342	1,898,024	9,446,628	28,295,016
New York	104,893,534	104,893,534	48,586,869	48,586,869	57,492,936	364,453,742
North Carolina	69,639,228	37,978,185	18,951,153	10,335,129	28,149,318	165,053,013
North Dakota	2,506,022	1,017,135	1,720,613	782,825	2,344,978	8,371,573
Ohio	$ 70,444,793	$ 45,628,354	$ 29,558,734	$ 19,145,722	$ 35,119,219	$ 199,896,822
Oklahoma	24,909,979	10,650,305	8,994,937	3,845,801	15,232,903	63,633,925
Oregon	19,408,790	11,714,991	8,189,250	4,942,966	9,972,899	54,228,896
Pennsylvania	55,336,804	46,628,930	30,311,476	25,541,621	32,711,417	190,530,248
Rhode Island	6,633,774	5,321,126	2,525,420	2,025,706	2,720,600	19,226,626

State	Mandatory Funds[1]	State Share Requirements (MOE)[2]	Matching Funds[3]	State Share of Matching Funds[4]	Discretionary Funds[5]	Total
South Carolina	$ 9,867,439	$ 4,087,361	$ 9,805,962	$ 4,061,896	$ 18,120,663	$ 45,943,321
South Dakota	1,710,869	802,897	2,095,014	983,173	3,155,183	8,747,136
Tennessee	37,702,045	18,975,714	13,556,698	6,823,185	20,848,597	97,906,239
Texas	59,844,129	34,681,426	57,033,621	33,052,654	92,920,868	277,532,698
Utah	12,591,564	4,474,925	6,836,604	2,467,430	9,395,745	35,766,268
Vermont	$ 4,148,060	$ 2,804,331	$ 1,518,524	$ 978,227	$ 1,714,663	$ 11,163,805
Virginia	21,328,766	21,328,766	17,051,693	17,051,693	19,258,060	96,018,978
Washington	41,948,341	38,768,113	14,818,125	13,694,719	15,904,935	125,134,233
West-Virginia	8,840,727	2,971,393	4,132,279	1,406,969	7,719,175	25,070,543
Wisconsin	24,511,351	16,470,677	13,858,837	9,312,601	1 4,923,937	79,077,403
Wyoming	2,815,041	1,553,781	1,347,236	795,656	1 ,626,938	8,138,652
Total	$1,199,050,700	$ 908,252,924	$ 723,691,801	$ 551,286,751	$ 947,544,165	$4,329,826,341

NOTE: Mandatory, matching, and discretionary funds have been reduced by one-quarter of one percent for technical assistance, pursuant to 45 CFR 98.60(a)(1). Mandatory and matching funds have been reduced by the tribal set-aside. Discretionary funds have been reduced by the tribal and territorial set-aside. Territories are not eligible for mandatory or matching funds.

1. Mandatory funds are allocated based on the Federal share of expenditures for IV-A child care in FY 1994, FY 1995, or the average of FY 1992-1994, whichever is greatest. Allocations are based on expenditure date as of February 28, and April 28, 1995.

2. Preliminary calculation based on available aggregate data may need to be adjusted. In order to be eligible for Matching Funds, state are required to maintain the greater of FY 1994 or FY 1995 state expenditures for IV-A child care.

3. Matching funds are allocated according to the proportion of children under age 13 using census data as of July 1995 (in accordance with the At-Risk Child Care program allocation formula). Each state's maximum allocation is shown; unused funds will be redistributed among states.

4. State expenditures above the maintenance of effort level are matched based on the FY 1995 FMAP rate.

5. Discretionary allocation is preliminary and based on $1 billion in authorized funds. Final state allocations may change.

Source: Department of Health and Human Services, Child Care Bureau, 1996.

Appendix E:

Estimated Required Work Participation Rates: Implications of Subtracting a State's Decline in Caseload

State	AFDC monthly average cases in FY 1995	AFDC cases in first 11 months of FY 96	Percent change	Effective participation rate	Total adults who must work*
Alabama	46,030	42,332	-8	17	4,100
Alaska	12,426	12,253	-1	24	3,000
Arizona	69,609	63,404	-9	16	8,600
Arkansas	24,296	22,700	-7	18	2,900
California	919,471	894,914	-3	22	179,200
Colorado	38,557	35,447	-8	17	5,000
Connecticut	60,985	58,068	-5	20	10,700
Delaware	10,775	10,373	-4	21	1,600
Dist. of Col	26,789	25,721	-4	21	4,400
Florida	230,807	211,975	-8	17	26,300
Georgia	139,135	130,015	-7	18	17,000
Hawaii	21,674	21,960	1	25	5,500
Idaho	9,071	9,059	0	25	1,600
Illinois	236,205	224,217	-5	20	38,500
Indiana	65,618	52,665	-20	5	2,200
Iowa	36,483	32,717	-10	15	4,200
Kansas	28,232	25,148	-11	14	2,600
Kentucky	75,384	71,245	-5	20	10,300
Louisiana	79,825	70,479	-12	13	9,600
Maine	21,694	20,422	-6	19	3,800
Maryland	80,383	71,390	-11	14	8,200
Massachusetts	100,852	86,506	-14	11	8,400
Michigan	201,696	177,703	-12	13	21,400
Minnesota	57,061	56,392	-1	24	12,900
Mississippi	52,528	47,658	-9	16	4,900
Missouri	89,299	82,612	-7	18	11,500
Montana	11,508	10,755	-7	18	1,700
Nebraska	14,828	14,150	-5	20	2,400
Nevada	15,708	14,504	-8	17	1,500
New Hampshire	10,800	9,538	-12	13	1,000
New Jersey	118,883	111,983	-6	19	16,700

81

State	AFDC monthly average cases in FY 1995	AFDC cases in first 11 months of FY 96	Percent change	Effective participation rate	Total adults who *must* work*
New Mexico	34,444	33,852	-2	23	8,400
New York	456,929	431,610	-6	19	76,900
North Carolina	125,503	113,262	-10	15	12,600
North Dakota	5,215	4,885	-6	19	800
Ohio	228,171	206,722	-9	16	26,400
Oklahoma	44,790	38,733	-14	11	3,200
Oregon	39,264	33,444	-15	10	2,500
Pennsylvania	204,771	190,987	-7	18	31,000
Rhode Island	22,194	21,044	-5	20	3,700
South Carolina	48,981	45,546	-7	18	5,100
South Dakota	6,286	5,982	-5	20	800
Tennessee	104,009	93,785	-10	15	10,900
Texas	274,505	254,563	-7	18	33,300
Utah	16,648	14,753	-11	14	1,700
Vermont	9,648	9,044	-6	19	1,700
Virginia	72,147	64,888	-10	15	6,700
Washington	101,949	98,933	-3	22	20,900
West Virginia	38,404	36,448	-5	20	6,100
Wisconsin	72,366	60,036	-17	8	3,300
Wyoming	5,200	4,732	-9	16	500
Total States	4,818,036	4,481,550	--	--	688,200

* "Effective participation rate" multiplied by the number of AFDC adults in August 1996.

NOTE: Under the new welfare law, states must place up to 25% of adults on welfare in work activities in FY 1997. However, states may subtract from this 25 percent the percentage amount by which their welfare caseloads have fallen since FY 1995. This table shows the impact that this provision will have on each state's required work participation quota.

Appendix F:

FY 1996 Federal IV-A Funds Received by the State and FY 1997 Allocations for New Federal Mandatory and Matching Funds.

(Does not include FY 1996 and FY 1997 discretionary funds)

State	FY 1996	FY 1997	Increase
Alabama	$ 16,340,975	$ 27,538,930	$ 11,197,955
Alaska	$ 4,628,222	$ 5,573,564	$ 945,342
Arizona	$ 24,802,279	$ 32,654,444	$ 7,852,165
Arkansas	$ 5,216,653	$ 11,928,191	$ 6,711,538
California	$ 81,595,011	$ 189,109,830	$107,514,819
Colorado	$ 11,935,519	$ 20,458,829	$ 8,523,310
Connecticut	$ 25,860,821	$ 27,297,695	$ 1,436,874
Delaware	$ 5,544,948	$ 7,097,533	$ 1,534,585
D.C.	$ 3,984,787	$ 6,007,129	$ 2,022,342
Florida	$ 48,138,526	$ 78,991,515	$ 30,852,989
Georgia	$ 48,944,950	$ 56,725,095	$ 7,780,145
Hawaii	$ 6,246,320	$ 8,544,528	$ 2,298,208
Idaho	$ 2,836,570	$ 6,360,048	$ 3,523,478
Illinois	$ 83,741,735	$ 92,635,041	$ 8,893,306
Indiana	$ 37,685,927	$ 41,476,175	$ 3,790,248
Iowa	$ 6,476,450	$ 16,176,667	$ 9,700,217
Kansas	$ 10,166,728	$ 16,962,947	$ 6,796,219
Kentucky	$ 17,289,150	$ 26,565,371	$ 9,276,221
Louisiana	$ 12,716,209	$ 26,579,410	$ 13,863,201
Maine	$ 3,026,858	$ 6,253,341	$ 3,226,483
Maryland	$ 23,045,304	$ 36,968,426	$ 13,923,122
Massachusetts	$ 55,880,580	$ 60,349,955	$ 4,469,375
Michigan	$ 41,192,695	$ 58,298,700	$ 17,106,005
Minnesota	$ 26,728,107	$ 36,230,664	$ 9,502,557
Mississippi	$ 9,599,538	$ 14,049,912	$ 4,450,374
Missouri	$ 27,599,568	$ 38,926,173	$ 11,326,605
Montana	$ 3,626,693	$ 5,561,904	$ 1,935,211
Nebraska	$ 7,786,148	$ 15,877,705	$ 8,091,557
Nevada	$ 3,499,702	$ 6,878,492	$ 3,378,790

State	FY 1996	FY 1997	Increase
New Hampshire	$ 4,362,499	$ 8,153,892	$ 3,791,393
New Jersey	$ 52,052,690	$ 52,638,058	$ 585,968
New Mexico	$ 8,707,301	$ 13,916,036	$ 5,208,735
New York	$ 117,110,636	$ 153,480,403	$ 36,369,767
North Carolina	$ 66,882,817	$ 88,590,381	$ 21,707,564
North Dakota	$ 1,708,379	$ 4,226,635	$ 2,518,256
Ohio	$ 68,441,868	$ 100,003,527	$ 31,561,659
Oklahoma	$ 30,998,199	$ 33,904,916	$ 2,906,717
Oregon	$ 23,335,244	$ 27,598,040	$ 4,262,796
Pennsylvania	$ 59,244,874	$ 85,648,280	$ 26,403,406
Rhode Island	$ 7,119,676	$ 9,159,194	$ 2,039,518
South Dakota	$ 1,932,447	$ 3,805,883	$ 1,873,436
Tennessee	$ 47,643,844	$ 51,258,743	$ 3,614,899
Texas	$ 73,324,512	$ 116,877,750	$ 43,553,238
Utah	$ 12,181,102	$ 19,428,168	$ 7,247,066
Vermont	$ 3,208,151	$ 5,666,584	$ 2,458,433
Virginia	$ 21,880,669	$ 38,380,459	$ 16,499,790
Washington	$ 38,002,711	$ 56,766,466	$ 18,763,755
West Virginia	$ 9,726,862	$ 12,973,006	$ 3,246,144
Wisconsin	$ 35,205,439	$ 38,370,188	$ 3,164,749
Wyoming	$ 2,347,339	$ 4,162,277	$ 1,814,878
Total	$1,354,855,195	$1,922,742,500	$567,887,305

Appendix G:

Estimated State Allocations For Quality and Supply Based On A Minimum Of 4 Percent Of Total Child Care Spending[1]

State	Quality Funds
Alabama	$ 2,097,187
Alaska	$ 380,360
Arizona	$ 2,305,003
Arkansas	$ 1,047,333
California	$ 16,229,630
Colorado	$ 1,624,106
Connecticut	$ 1,723,265
Delaware	$ 443,653
District of Columbia	$ 370,926
Florida	$ 6,279,062
Georgia	$ 4,045,784
Hawaii	$ 621,232
Idaho	$ 519,229
Illinois	$ 6,534,647
Indiana	$ 2,740,493
Iowa	$ 1,190,517
Kansas	$ 1,234,077
Kentucky	$ 1,952,817
Louisiana	$ 2,321,849
Maine	$ 477,328
Maryland	$ 2,553,551
Massachusetts	$ 3,604,866
Michigan	$ 4,296,945
Minnesota	$ 2,422,122
Mississippi	$ 1,340,946
Missouri	$ 2,668,720
Montana	$ 390,077
Nebraska	$ 975,633
Nevada	$ 612,415
New Hampshire	$ 552,925

State	Quality Funds
New Jersey	$ 3,690,123
New Mexico	$ 1,010,428
New York	$ 10,382,408
North Carolina	$ 5,082,993
North Dakota	$ 294,178
Ohio	$ 6,170,739
Oklahoma	$ 2,119,345
Oregon	$ 1,700,556
Pennsylvania	$ 5,756,053
Rhode Island	$ 556,220
South Carolina	$ 1,674,238
South Dakota	$ 317,770
Tennessee	$ 3,157,221
Texas	$ 9,714,051
Utah	$ 1,251,654
Vermont	$ 334,379
Virginia	$ 2,987,608
Washington	$ 3,454,645
West Virginia	$ 883,966
Wisconsin	$ 2,504,269
Wyoming	$ 263,395

1 States are free to spend more than the minimum 4 percent on quality and supply activities. This assumes that states will draw down their full federal match. It does not include 1996 CCDBG funds or the extra $19 million for FY 1997 investments in resource and referral and school-age programs.

Appendix H:

FY 1997 Discretionary Allocations Specifically for Resource and Referral Activities and School-Age Child Care Services

State	FY 1997 Allotment
Alabama	$386,953
Alaska	$36,459
Arizona	$353,986
Arkansas	$227,476
California	$2,303,561
Colorado	$211,483
Connecticut	$138,148
Delaware	$40,378
District of Columbia	$37,850
Florida	$956,984
Georgia	$614,921
Hawaii	$70,032
Idaho	$97,919
Illinois	$721,005
Indiana	$345,446
Iowa	$176,482
Kansas	$170,163
Kentucky	$343,100
Louisiana	$510,176
Maine	$74,062
Maryland	$252,474
Massachusetts	$275,263
Michigan	$558,704
Minnesota	$257,830
Mississippi	$331,943
Missouri	$348,540
Montana	$61,430
Nebraska	$105,875
Nevada	$79,047
New Hampshire	$49,068
New Jersey	$356,427
New Mexico	$180,638

State	FY 1997 Allotment
New York	$1,099,377
North Carolina	$538,270
North Dakota	$44,477
Ohio	$671,549
Oklahoma	$291,283
Oregon	$190,701
Pennsylvania	$625,507
Rhode Island	$52,023
South Carolina	$346,502
South Dakota	$60,333
Tennessee	$398,666
Texas	$1,776,828
Utah	$179,665
Vermont	$32,788
Virginia	$368,252
Washington	$304,133
West Virginia	$147,605
Wisconsin	$285,375
Wyoming	$31,112
Total	$18,118,287*

* The total amount appropriated is $19,120,000. In accordance with the Child Care and Development Block Grant statute, 2 percent (or $381,444) was set aside to fund Tribal grantees, one-half of one percent ($95,361) was set aside to fund the Territories, and one-fourth of one percent ($47,800) was set aside to be used for technical assistance.

Source Notes

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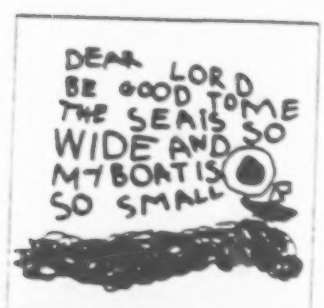

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